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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWD RIBUTION ☐ TECHNOLOGY

# Beverage industry

AN HBJ PUBLICATION

NOVEMBER 1984

## Expo evokes wait 'n' see viewpoint

**by Sandy Whitlock**
**Assistant Editor**

ROUNDUP—On the eve of the first InterBev ever, the U.S. beverage producer is taking a "wait and see" attitude. On the supplier side, there are some strong "pro" and "con" feelings.

In a telephone survey conducted by **Beverage Industry** shortly before the convention, a number of soft drink producers, suppliers and franchisers were asked their opinion on the expansion of InterBev into the all-encompansing "beverage" field as well as the international arena. Reactions were mixed on both subjects.

On the whole, most feel that expanding to include the entire world market is a matter of natural progression.

From the bottlers side, comments ranged from "So what else is new. All they did was change the name" to "I'll believe it when A-B has a

*(Continued on page 140)*

## BI Report

**■ WESTINGHOUSE'S Bart Brodkin, president of the beverage group, named BI's 1984 Man of the Year. Brodkin was chosen by a select group of beverage industry suppliers and will be honored at this year's InterBev Expo. Brodkin was selected on the basis of his industry and community involvement. A complete report will appear in December.**

**■ SEVEN-UP NEXT FOR POSNER? During his meeting with RC bottlers, financier Victor Posner took some pointed shots at 7UP and Like, claiming that Philip Morris was tired of putting money into it and that "we may be looking at buying it ourselves."**

**■ BARQ'S INC. ACQUIRES Delaware Punch, a non-carbonated beverage company based in San**

*(Continued on page 170)*

### Special pre-show coverage

# InterBev

PRODUCTION
DISTRIBUTION
MARKETING

## The new beginning

More than 400 exhibitors and over 16,000 visitors are expected to come together in Chicago's McCormick Place and witness new technology, faster equipment speeds and innovative ideas. And for the first time, the International Beverage Congress will hold a four-day seminar program covering the global beverage scene. Visitors will come from 80 countries around the world. **Beverage Industry's** complete coverage of the 1984 convention begins on page 68.

## No immediate SD plans for acrylonitrile

**by Craig Fintor**
**Associate Editor**

NEWS ANALYSIS—One of the longest running debates on the intricacies of regulating food packaging is over. And the winner, Monsanto Corp., apparently believes the victory is a hollow one.

"It's a just reversal of an unjust decision," said Jerome Heckman, a Monsanto attorney, of the recent Food and Drug Administration decision.

At the heart of the matter, was FDA concern that there was "potential exposure" to acrylonitrile monomer as a cancer-causing carcinogen.

Monsanto introduced the bottle in 1975. The bottle, however, was banned in 1977 when the FDA became concerned about residual

*(Continued on page 132)*

## Posner impresses; bottlers convinced RC will be kept

**by Paul E. Mullins**
**Editor**

NEWS ANALYSIS—The long awaited meeting between RC bottlers and Victor Posner took place on Oct. 29 at his headquarters in Miami. During the 45 minute meeting, he:

- was quite vocal about the errors of past management;
- wondered why RC was not sold in every one of the Arby's locations;
- expressed the opinion

*(Continued on page 159)*

PEPSI
SUPER SAVER
diet pepsi
3 LITERS
MOUNTAIN DEW
Pepsi free

## BI Now Package

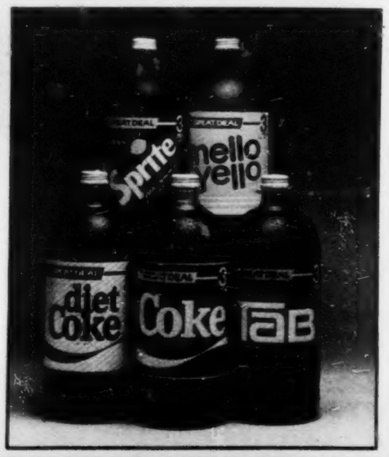
### *3-L shootout*

## Super Saver vs. Big Deal

NEWS ROUNDUP—If test market results hold up, bottlers who move into the 3-L PET can expect to:

- Lose between one-third to

*(Continued on page 53)*



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Beverage Industry
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*Canada Dry bottlers meet*

# Goal for '85: double market share

**by Bill Dolan**

**Hot Springs, VA**—A record number of Canada Dry bottlers on hand here for the company's biannual national meeting, billed as "Way to Grow," heard president Francis I. Mullin promise Canada Dry's corporate share would double by 1985.

In addition, he also said:

- Canada Dry Ginger Ale would double its share by 1986, a year ahead of schedule;
- Sugar Free Ginger Ale's goal of reaching the industry norm of 23% for diet products would be backed by a doubling of the network TV budget;
- Two new planned seltzers would be introduced in early 1985;
- Pledges from Canada Dry's third owners in five years, Del Monte Corp., would be no change in Canada Dry's relationship with its bottlers.

The record turnout of more than 750 was spurred in part by Canada Dry's acquisition

*(Continued on page 129)*

Guys, that sweet stuff is just so old!

Less sweet and so right,

I'm changing my tastes,

MAKE YOUR MOVE
Canada Dry Ginger Ale

We're making our move to Canada Dry.

# 269 firms control 75% of industry volume

**Exclusive**—A report just compiled by Beverage Marketing Corp. (BMC) discloses that the 269 headquarter soft drink companies were responsible for over three-fourths of the dollar volume of the industry in 1983.

Furthermore, the 43 top volume companies controlled just over half of the sales, the report shows. Headquarter companies are defined as those that are multiple franchise owners.

The statistics are a slight change from 1982 when 272 firms accounted for 75.2% of the sales and the top 39 firms had 52.8% of the sales.

These 269 headquarter firms operate 1,628 facilities, 715 manufacturing and 913 distribution locations, the report reveals. In 1982 these same headquarter firms operated 752 manufacturing facilities and 833 distribution centers, a total of 1,585 operations.

While these headquarter firms are responsible for an increasing lion's share percentage of the total soft drink industry sales, they are continually consolidating as more and more of their subsidiaries convert from manufacturing centers to distribution points.

"We have fewer headquarter companies controlling more and more of the business," says Michael Bellas, BMC president. "People that own the independents are the smaller operators. Eventually, you'll probably have 500 manufacturing plants that will serve the needs of the whole industry by the end of the century."

Bellas says these headquarter firms can support their

*(Continued on page 28)*

Co-polyester bottles permit an aseptic fill with the Bottlepack-Aseptic-System at a reasonalbe price.

# New applications for co-polyester

**Carteret, NJ**—Rommelag USA, Inc., projects new applications for plastic bottles made from co-polyester, when molded into plastic containers with its Bottlepack-Aseptic-System. The company feels co-polyester can be used to package oxydation-sensitive products, such as juice drinks and juices, attractively and at a reasonable price.

The bottles are made with PETG Kodak 6763, supplied by Eastman Chemical.

There are quite a few differences between co-polyester

*(Continued on page 14)*

# Seminar to discuss aseptics

**Chicago**—Aseptic packaging will be the topic of discussion at a jointly sponsored executive seminar here Nov. 11 just prior to the Inter-Bev Show.

*Aseptic Processing and Packaging of Beverages* is being sponsored by the Society of Soft Drink Technologists in cooperation with the National Soft Drink Assn. A wide range of subjects will be covered including:

- The history and future trends for aseptic beverages;
- Aseptic packaging and processing systems;
- Sanitation procedures;
- FDA guidelines for aseptic packaging;

The registration fee for the one-day seminar is $150.

To register, contact Harry Korab, technical director, National Soft Drink Assn., (202) 463-6756. ☐

"Look"

"Taste"

# Youth TV ads signal shift in Coke drive

**Atlanta**—The two new youth-oriented commercials which Coca-Cola debuted in late September are the first in what insiders say will be a refining of the positioning and presentation of the "Coke Is It" theme.

Extensive research which included proprietary studies and more than 160 additional

*(Continued on page 176)*

# Features

**68** **InterBev '84**
**Beverage Industry's** complete and comprehensive coverage of the first InterBev includes many pages of important listings to make your stay in Chicago more than just another business trip. To help organize your stay, beginning on page 68, is a schedule of events, list of exhibitors and what they plan to display, plus a comprehensive description of InterBev seminars. Beginning on page 70, there's an alphabetized exhibitor and booth no. list with a floor plan of McCormick Place. But it's not necessarily all business. Also beginning on page 68 are listings of fine restaurants, hotels and theaters. On page 75, there's a sightseeing guide; on 76, a map of the city.

**8** **Expanding the natural way**
In this exclusive report, **BI** takes an in depth look at the growing "natural" soft drink segment with some insight as to why the segment is emerging.

**13** **Packaging roundup**
**BI** takes an analytical look at packaging in three separate features, covering cans, glass and closures. A report from the Can Manufacturer's Institute,beginning on page 13, notes that 1984 is shaping up to be a good year for the can. Beginning on page 16, **BI** scrutinizes the struggling glass industry and finds, amongst the bad, there's good news, too. Shipments of pre-labeled single-service glass are increasing. And finally, a feature on closures, starting on page 26, examines why bottlers are converting to plastic.

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# Soundoff

## Security analyst on glass, cans, plastic

"... glass will face strong challenges from plastic in ... every segment including beer and hot-filled and retorted food ...

"The threat from cans seems to be one which glass is better equipped to handle. These two types of containers have been competing on a reasonably stable basis for years ... glass seems to have been overwhelmed by the beverage can more recently. That container gained share because of its own overcapacity situation resulted in very attractive prices to brewers and soft drink producers ... I believe that glass' best defense is to work hard at bringing down costs ..."

**Richard S. Palm**
**Security Analyst**
**Merrill Lynch**
**New York, NY**

From a speech delivered at the annual meeting of the Glass Packaging Institute in mid-September.

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WR9 8JB, England Telex: 335434

# Features

**36** **Bottlers' purchasing plans for '85**
In another exclusive, **BI** looks at where bottlers will put their money this year and next as they make plans to modernize their plants. Equipment, computers and other capital assets are given a critical look.

**40** **'Windy City' wars**
In the continuing battleground series, Marty Westerman takes a look at the Chicago beverage wars on the eve of the first InterBev. Pricing and strong unions are major factors in this major market.

**47** **Aseptic roundup**
Chicago not only has a winning baseball team this year, but also an interesting little aseptic fight.

**95** **Farewell to Dwight Reed**
**BI** editor Paul Mullins interviews Dwight Reed, the outgoing president of the NSDA in this exclusive. Reed gives his views on a variety of subjects concerning the soft drink industry today.

**137** **John Frazier speaks out**
Frazier, president of Seven-Up, Wichita, and chairman of Seven-Up, Fort Worth, is expected to be named the new president of the NSDA.

**151** **Cape Cod capers**
Officials of Cape Cod Pepsi-Cola tell **BI** what makes their franchise such a successful business in a tough northeastern market region.

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## Lipton sees 22% sales increase in cans in '84

ENGLEWOOD CLIFFS, NJ—Lipton Tea, located here, reports that through the first seven months of '84, sales are up 22.6% for its canned non-carbonated beverage line.

Sales for the fountain version of its product are up 31.8%, according to Chuck Wiggs, associate director in charge of bottlers' concentrate.

Setting the pace for canned sales are: New York Coca-Cola, up 25%; Los Angeles Royal Crown Cola, up 39%; Houston Seven-Up, up 33.2%; Miami Coca-Cola, up 17.6%; Chicago Royal Crown Cola, up 69.9%; and New Orleans Pepsi-Cola, up 25.6%.

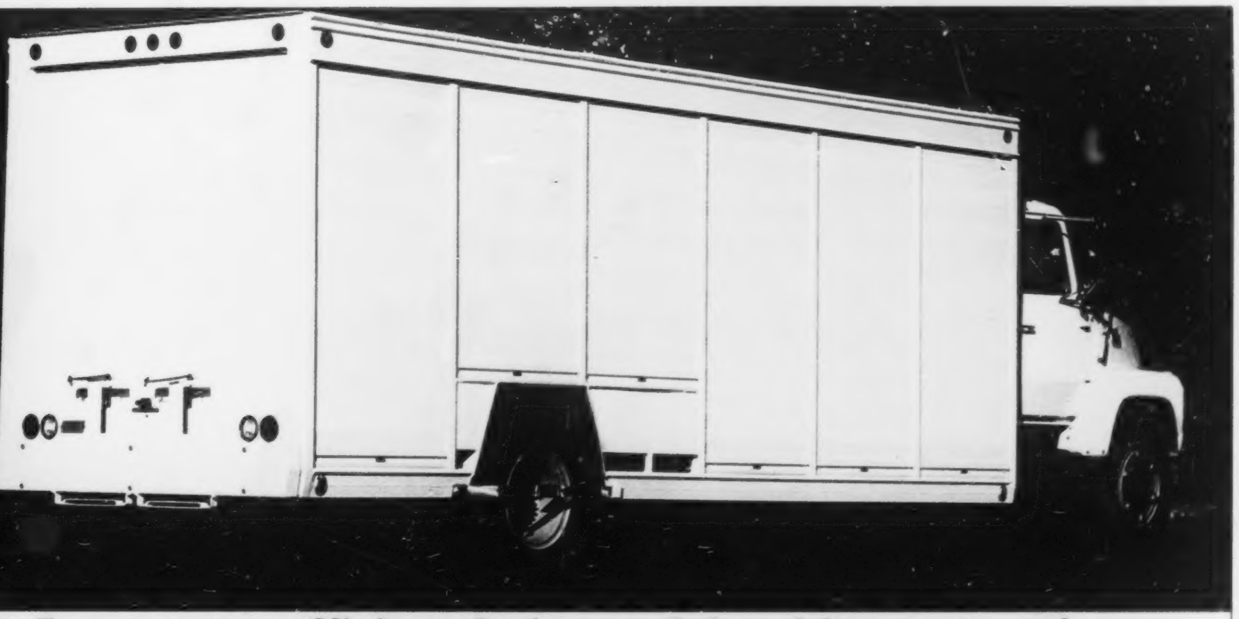
Wiggs says that part of the reason for the success of the fountain version is the bag-in-box which is popular with fast foods restaurants. Many mature markets where Lipton has been available three and four years are reporting double digit growth, says Wiggs.

### Fountain leaders

Setting the pace in fountain sales are: Gulfport Pepsi-Cola, up 185% in its third year; Jackson Pepsi-Cola, up 185%, also in its third year; Wichita Seven-Up, up 192%, also in its third year; St. Louis Seven-Up, up 200%, primarily as the result of adding the Six Flags entertainment complex; and Phoenix Seven-Up, up 170%.

New can franchises named in 1984 include Mid-Atlantic Coca-Cola; Coca-Cola Portland/Spokane; Coca-Cola Jamestown, ND; Coca-Cola, LaCrosse; Pepsi-Cola, Little Rock; Pepsi-Cola, Jonesboro; Seven-Up, Kansas City; Seven-Up, Omaha; Seven-Up, Flint; Royal Crown, Columbus, GA; Canada Dry, Milwaukee.

New fountain franchises include Seven-Up Midcontinent; Coca-Cola, Elyria/Painesville, OH; Pepsi-Cola-Cola, Newburgh, NY; and Jason Soda Systems, Hartford, CT. □



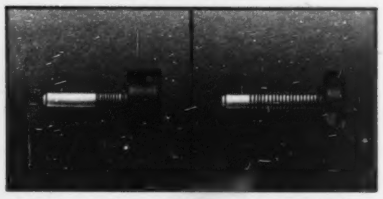
Long-term, efficient design and durable construction make Hesse the uncommon leader as a route truck manufacturer.

*Fleet owners take notice as the new Hesse all-aluminum body can now perform as it offers features still unmatched in a me-too industry.*

New product features are part of the name of the game in maintaining one's lead in almost any business. Uncompromised quality in all you do keeps you near the top. At Hesse, the durability and quality are built in daily as we construct features that are designed to last. Features so durable, they are automatically covered by an unmatched 10 year warranty program.

Hesse's all welded construction has caused competitors to rethink their current designs while still making mistakes such as mixing dissimilar metals and using alloys unfit for the destructive pounding given during daily operation. Let's face it, mechanical connectors and rivets just don't hack it!

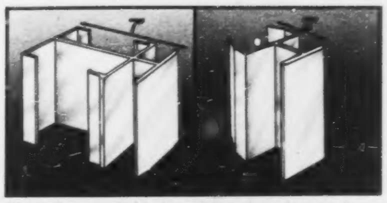
The simple gliding of a door roller causes other body builders to wither while Hesse lasts. Door rollers by Hesse are made with state-of-the-art molybdenum impregnated nylon. Door rollers by Hesse offer up to two times the actual bearing surface than other competitive rollers.



*Hesse Door Roller* *Competitive Door Roller*

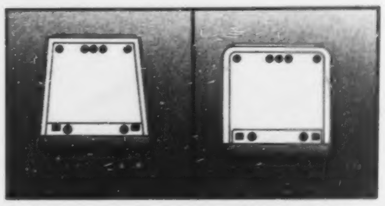
Door track by Hesse doesn't need a steel replacement track as the aluminum used in a Hesse door track is made of alloys meant to last, not wear thru. Hesse uses tempered aluminum alloys meant for beverage trucks not lawn furniture or soft beverage cans.

Only Hesse offers a full seven-inch-deep extruded door track. Others may advertise the "heaviest," while Hesse offers it on each and every unit at no additional cost to you.



*Hesse door track showing full 7" depth.* *Competitive door track showing only 3" depth.*

While a Hesse is unique in many ways, one that saves money is the tapered design. Because of a narrower roof profile Hesse offers a considerable reduction in wind resistance compared to "bulky box" builders who must round the corners just to keep up. Remember, its the frontal mass that eats the gas.



*Exclusive Hesse tapered design.* *Competitors attempt to improve wind slippage by rounding corners.*

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# Study: diet beverage market to grow 60% by '90

NEW YORK—A new study, *Diet Foods and Beverages* by Frost & Sullivan, pegs the growth rate of diet beverages at 6.1% a year in constant 1982 dollars. Led by diet sodas and light beers the study predicts the market will grow some 60% by 1990 for the 1982-83 level of $25.7 billion.

The major factor responsible is women aged 25-44 who have become extremely calorie conscience. "Technologically, acceptable sweeteners are feeding the growth: aspartame has single-handedly created hundred-million-dollar businesses—low calorie soft drink mixes, iced tea, and cocoa mixes," reports the study.

The 397-page report analyzes the market by six major categories, four of which (reduced calorie foods and beverages, reduced caffeine foods and beverages, lowfat foods and beverages and low-sodium food and beverages) pertain to the beverage industry.

According to the study, reduced calorie foods and beverages are growing the fastest at an average rate of 8.4% a year. It is paced by diet sodas and light beers which alone account for three-quarters of the segment. This segment is predicted to rise from $10.2 billion in 1982-83 to $19.5 billion by 1990. Within this category drink mixes using aspartame are predicted to show a "dramatic" increase.

The report discloses: "Demographics favor diet soft drink consumption increases. The highest consumption per capita for diet cola drinks is 35-49 whereas the highest consumption per capita for regular cola drinks is 18-24.

"Approximately 60% of diet soft drinks are consumed by persons 30 years of age and older, while less than 40% of regular soft drinks are consumed by this age group...Diet soft drink consumption rises rapidly from age 20, hits a peak at age 40-49 and drops off at age 60."

Reduced caffeine beverages are also predicted to fare well averaging 11.4% annual gains due to favorable demographics and what the study refers to as "unfavorable consumer attitudes toward caffeine."

The study reports: "The caffeine-free colas have reportedly brought new consumers into the soft drink market, with trade sources attributing caffeine-free colas for increasing total sales in selected markets as much as 9%...The further aging of the overall U.S. population will increase demand for all caffeine-free beverages, including soft drinks."

The south is the region least affected by the diet food trend, with the exception of Florida which has especially high sales due to the large retirement community there, according to the study.

The most dissappointing new market was reportedly low-sodium foods. One bright spot, however, is the gradual acceptance of low-sodium soft drinks, including seltzer. The main problem, it was found, is these beverages must fight taste preconceptions.

For more information or to purchase *Diet Foods and Beverages*, contact Customer Service, Frost & Sullivan, Inc., 106 Fulton Street, New York, NY 10038; or phone (212) 233-1080. ☐

**Retail sales of light, diet and caffeine beverages**
(millions $)

| | 1982/3 | 1985 | 1987 | 1990 | Compound Annual Average Growth Rate |
|---|---|---|---|---|---|
| **Reduced Calorie Foods** | $10,231 | $14,142 | $16,282 | $19,543 | 8.4% |
| Diet Soft Drinks | 4165 | 5880 | 6986 | 8600 | 9.5 |
| Light Beer | 4058 | 5400 | 5840 | 6570 | 6.2 |
| Light Wine | 310 | 0.0 | | | |
| Soft Drink Mixes (a) | 199 | 350 | 400 | 450 | 12.4 |
| Low Cal Ice Tea Mix (a) | 67 | 100 | 135 | 180 | 15.2 |
| **Reduced Caffeine Beverages** | $2,404 | $4,221 | $4,937 | $5,687 | 11.4% |
| Caffeine Free Cola | 1715 | 3298 | 3958 | 4617 | 13.3 |
| Decaffeinated Coffee (a) | 870 | 923 | 979 | 1070 | 6.0 |

Source: Frost and Sullivan

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November 1984

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diet 7UP
diet 7UP
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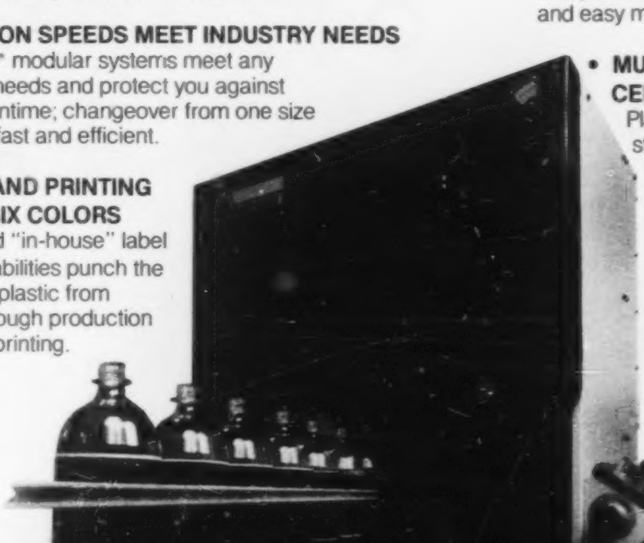

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## Beverage can shipments

| Soft drinks | Volume (mm) | % Change |
|---|---|---|
| 1982 | 26,205 | — |
| 1983 | 28,321 | + 8.1% |
| 1984 (through June) | 15,696 | +13.6% |
| **Beer** | | |
| 1982 | 31,729 | — |
| 1983 | 33,135 | +4.4% |
| 1984 (through June) | 16,928 | +3.1% |

Source: Can Manufacturers Institute

Copyright: Beverage Industry November 1984

# SD can shipments up 13.2% in 1984

WASHINGTON, DC—Recent information from the Can Manufacturers Institute (CMI) indicates that 1984 is shaping up to be one of the best years in the industry's history.

Data compiled by Ernst and Whinney indicates that through July, soft drink can shipments are 13.2% over the same period a year ago. Beer can shipments are also up 4%, well above the industry's minus-one percent growth rate. Gary Slack, marketing director for CMI, says other data (compiled by Nielsen) shows that for the period January through June of this year, total food store can sales grew 10%, well above the industry's 6.2% rate.

To try and understand these figures and assess the reasons for the up-turn in the market, **Beverage Industry** talked with several marketing executives around the country.

### Many factors

Their responses ranged from positive economic conditions to favorable weather, to deposit legislation and consumer preferences.

Ed Montanari, director of sales and marketing, Ball Metal Container Group, cited three prime reasons for the industry's impressive growth figures. "The continued strength of our economy has led to more discretionary income by consumers," said Montanari.

"Also the continued erosion of the unemployment percentage, and certainly the great weather we've had all across the country." He added that on the West Coast, where they hardly had any winter this year, volume and demand have been extremely high.

The Nielsen data shows an increase of more than 17% in the Los Angeles area and an 8.3% increase in the remaining Pacific region.

Montanari also says that sound planning by his company in the final quarter of 1983 prepared them for the big push in 1984.

"We evaluated our ability to supply, given that the economy would remain strong, unemployment would continue to drop and, generally speaking, we would be favored with good weather.

"To maximize sales we had to build heavy inventories in the fourth quarter of '83 and first quarter of '84," he says.

This led to turning on the lines full speed at the first of the year to meet those goals, Montanari says.

"And we are accomplishing just that. We built tremendous inventories in the off-season... We're going right from the plant to the truck now.

"Everything we planned for (in 1983) has come to pass in 1984," says Montanari.

Multi-packs were cited by several executives as one of the driving forces in the market. Montanari says this is one of the many things the can manufacturing industry is doing to reach the consumer. "There's reason to believe that over the next several years, by promoting multi-pack we can continue to enjoy strong gains in the soft drink side because, relatively speaking, only 10% or 12% of our sales are in the multi-pack," says Montanari.

He added that can strength this past year transends multi-pack. "It's really effective marketing," says Montanari. "Not only by what we tried to accomplish with soft drink bottlers, but also an outside consulting company thinks the package is best after analysis of all the data."

Montanari noted that the good year can also be attributed to all of the things CMI is trying to accomplish in the way of creating an awareness of just how effective a package the can is today.

### Multi-packs helped

The driving force, according to CMI marketing committee chairman David R. Weisley, who is also vp-marketing, at American Can Company, has been the multi-pack and, in particular, the 12-pack.

"Over the last 18 months,

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high efficiency
system
Board
trims cost

[illegible]
packaging [illegible]
business [illegible]
ever. [illegible] system
named EDP* [illegible] Promot-
able. The package, constructed
of a new [illegible] laminate material called Ply-Tech, is
[illegible] stronger than ever. With its Bottle Locker*
feature, the EDP [illegible] against bottle
[illegible] remains easy for the con-
sumer. [illegible] system is faster, more effi-
cient, less complicated than any before thanks to a true
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Mead

into this year, the 12-pack has probably been the key as far as volume growth for the can," says Weisley.

"This means further expansion of its use and more bottlers strategically using it as a promotional mix," he says.

"Overall, the bottlers are using more cans now than they have in the last three years," notes Weisley.

He says that in the past they used the can as a margined, high-priced convenience item in their promotional mix. "Now they are promoting it and using it as they did the 2-L package to combat against each other in a price war on the retail store shelf.

**1984 Soft drink package shares**

| | % Volume Change From 1983 | 1983 Share | 1984 Share |
|---|---|---|---|
| Cans | +10.0% | 23.6% | 24.4% |
| Small/Medium | −7.2 | 3.2 | 2.8 |
| Ret. Pints | + .5 | 20.6 | 19.5 |
| NR Pints | +4.6 | 9.5 | 9.4 |
| Quarts | −17.4 | 8.7 | 6.7 |
| 2-Liter | +14.8 | 34.4 | 37.2 |
| Total | 6.2% | — | — |

Source: Nielsen

Copyright: **Beverage Industry** November 1984

"I think the weather and economic conditions are favoring the entire business," adds Weisley. "The total consumption of soft drinks is up much more today than anybody thought it was going to be."

Weisley cites several factors for the increase of 12-pack use by bottlers.

"Many bottlers who've had the equipment to pack the 12-pack were not utilizing it," says Weisley. "They've started to—with pushes from can companies, base metal industries, and the parent companies."

At Crown Cork and Seal Co., Keith Lucas, sales and marketing manager administrator, puts deposit legislation at the top of his list for the increase in business...at least in selected areas of the country.

"In certain areas, deposit legislation has been favorable to cans and glass has kind of disappeared from the shelves," says Lucas.

He feels that consumers are starting to show more of a preference toward cans and convenience leads the list of reasons why.

"Particularly during the summer months, it is more of an outdoor package than glass," says Lucas. And that convenience of cans transcends to grocers as well.

"When it comes to the retailer, they don't want to handle bottles. You just crush cans and haul them back," says Lucas. "The retailer has a lot more storage space when he crushes the cans, something he can not do with glass.

"It hasn't happened in every state," adds Lucas, "but it has happened in certain areas."

Though there may be no consensus among marketing executives in the industry, there's no doubt that the can business is having a banner year. One thing they all do agree on is whether its the weather, favorable economy, legislation or new diet brands trends...just keep the business coming and they'll figure out the reasons why—later. ☐

## Applications expand for co-polyester

*(Continued from page 4)*

and the already-in-use hard PVC. The first difference is the fact that co-polyester has a "clear as glass" brilliance. Coupled with that is a high-break resistance and an oxygen permeability remarkably lower than hard PVC, a plastic already recognized as having good diffusion barrier values.

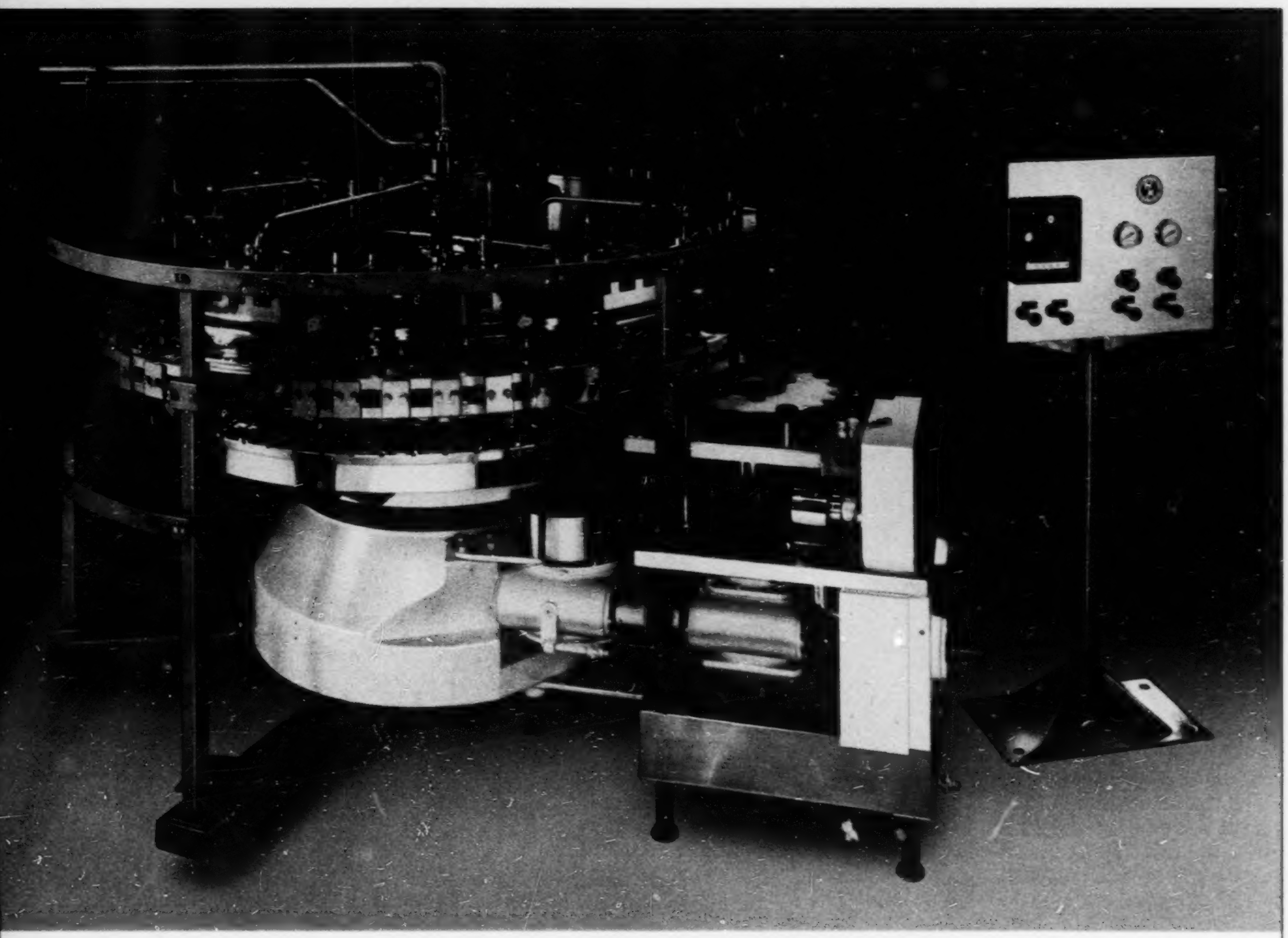
In addition, co-polyester has the advantage of being able to be used with multiple parisons as extrusions are not limited to one or two cavities as is the case with PVC. Rommelag believes that extrusions up to six cavities are possible.

Rommelag is presently producing hollow containers of 250-, 500- and 1,000-ml. The largest size that they are striving for, according to company spokesmen, will be containers up to approximately 1-gal.

Fruit juice drinks and 100% fruit juice are two beverage groups presently being considered by Rommelag for their filling process.

According to Rommelag, the Bottlepack-Aseptic-System achieves sterility of the package material through the melting procedure of the resin in the extruder. The hollow container inside the blow mold is being formed with sterile compressed air, which is prepared within the Bottlepack.

• For more information on **Rommelag co-polyester bottles,** circle no. 338 on reader service card. ☐



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### Good news and bad news in the glass business

# A smaller, but wiser industry fights back with single service

**by Paul E. Mullins**
**Editor**

SPECIAL REPORT—Following the fortunes of the glass industry in recent years has been like a slow motion report on a marathon race being run by industrial giants. You knew someone was going to be there in the end, but you couldn't tell who.

Well, the race isn't over yet and it's still too early to say who's going to be standing at the end, but for the first time in years the industry and its customers seem to be acting rational and the future is looking a lot brighter than it was just a few short years ago.

- The overcapacity situation that has plagued the industry for years is slowly and painfully being corrected;
- The threat from plastics is abating;
- Customers are starting to look at the companies themselves, in addition to just their prices. They want to see R&D expenditures and amounts budgeted for furnace rebuilds.

It's obvious the customers want to place their orders with the firms they anticipate will be around in several years.

Total glass bottle shipments have declined precipitously in recent years, down 12.5% from 322.8 million gross in 1980 to an estimated 282.6 million gross in 1984.

If it weren't for the single service soft drink container, the industry would be in even worse condition. Total shipments of these bottles has grown 32.7% from 45.3 million gross in 1980 to an estimated 60.1 million gross in 1984. In 1980, they accounted for 14% of total industry shipments. This year, they will account for approximately 21%.

In spite of these positive signs, analysts are still down on glass. At the recent annual meeting of the Glass Packaging Institute, for example, Richard S. Palm, a specialist with Merrill Lynch Capital Markets, told the group:

". . . I think that glass will face strong challenges from plastic in just about every segment including beer... there is a reasonable possibility that few glass containers will be used by the end of this century."

"Those kind of comments sure are conducive to the cocktail hour," comments one bottle producer who was at the meeting. "It's like getting an invitation to your own funeral."

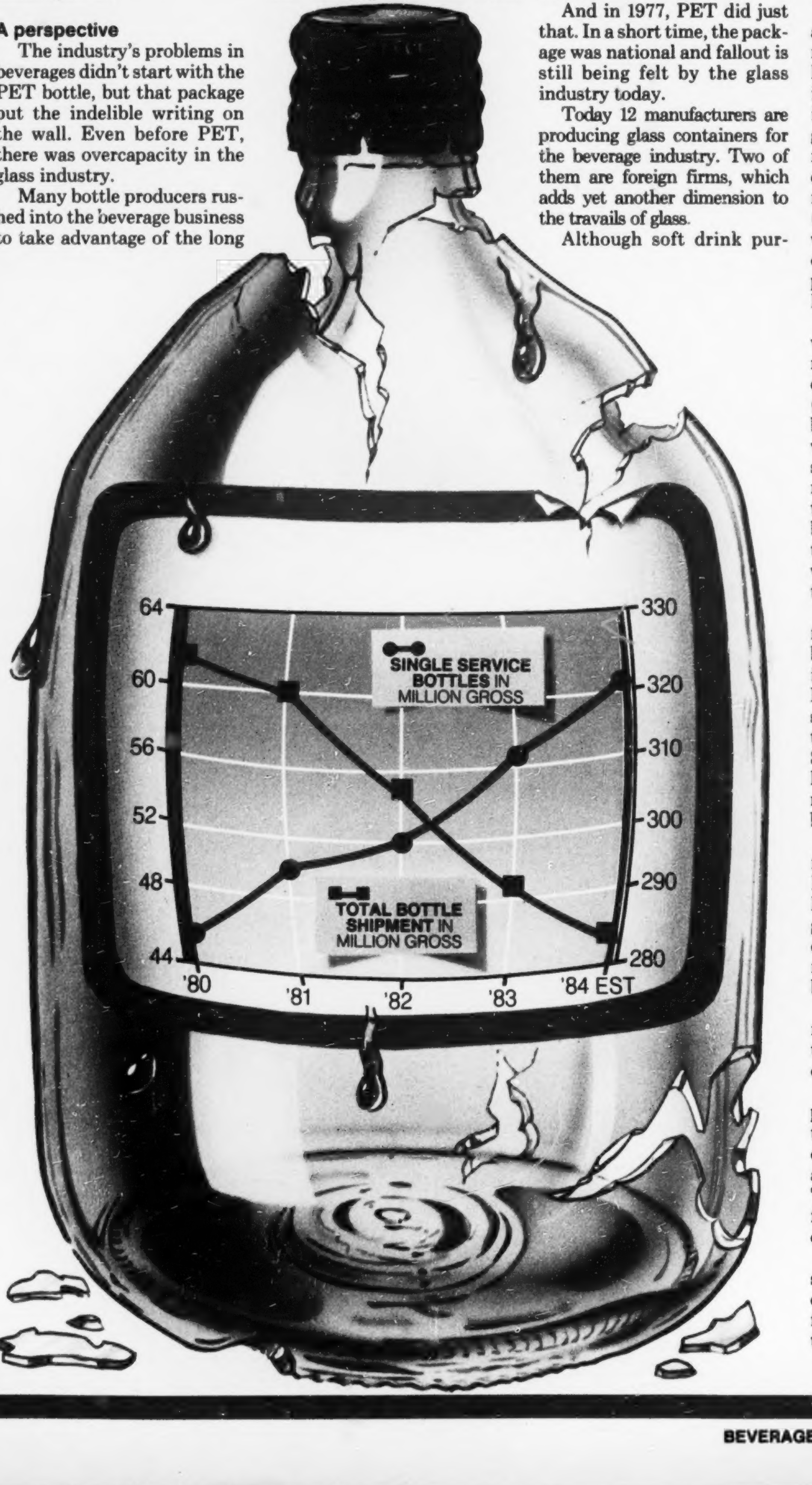
In truth, the industry still has some house cleaning to do. In the short term, expect to see more closings. In the long term, expect to see more mergers and perhaps one or two bankruptcies.

## A perspective

The industry's problems in beverages didn't start with the PET bottle, but that package put the indelible writing on the wall. Even before PET, there was overcapacity in the glass industry.

Many bottle producers rushed into the beverage business to take advantage of the long runs and profits resulting from producing standardized bottles. Just ten years ago, there were 19 firms manufacturing glass bottles for the soft drink and brewery industries.

Discounting was already rife and customers could just about name their price, everywhere except on the West Coast where stringent environmental laws have discouraged expansion for years.



But the business was still growing and driving it were the new larger sizes. It was glass in the 48-oz. and 64-oz. sizes which created the market which PET eventually took for its own.

And in 1977, PET did just that. In a short time, the package was national and fallout is still being felt by the glass industry today.

Today 12 manufacturers are producing glass containers for the beverage industry. Two of them are foreign firms, which adds yet another dimension to the travails of glass.

Although soft drink purchases of single service containers have been providing what is possibly the only good news in the industry, the same is not true for malt beverages. Market share in this industry is down and most of the new product entries—in the popular price segment—are coming out in cans.

As discounting continued and profitability took a nosedive, glass firms could no longer afford to make the investments necessary to stay in the business. Rebuilding a glass making furnace—which must be done approximately every seven years—is a multimillion dollar investment. (The amount depends on whether or not the firm decides to totally refurbish the production line, but can go as high as $24 million.)

The level of discounting varies depending on the region. At its highest, it is a double digit percentile number (as high as 30% on returnables). At its lowest, it still is very close to 10%. It has been so rampant, that the chief marketing executive at one of the firms told **BI**, "Here we are bleeding to death as an industry, and at the same time, we're slashing each other's throats."

In spite of these low prices, foreign competition for the beverage business is also making itself felt for the first time. First on the West Coast, where supplies have always been tight, and more recently in the Southeast. Mexican firms have been shipping in both returnables and nonreturnables.

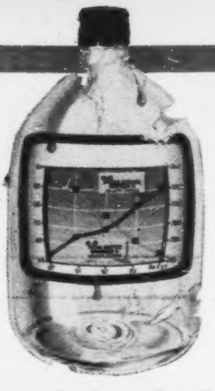
U.S. firms claim that these firms are subsidized by the Mexican government. Efforts have been made to attempt to get the government to restrict or tax the incoming shipments, but to date they have been unsuccessful.

It is a subject which quickly raises the ire of glass executives. Off the record, one glass company official told **BI**:

"I go to the parent companies and I say, 'You know, they can't sell a thing in this country unless you've approved them as a supplier.' They respond, 'Oh well we foresaw you were having a lot of trouble.'

"Bull----. They didn't foresee a (expletive deleted) thing except the fact that they could force our prices down and they're hurting themselves

*(Continued on page 19)*



long term by doing that. Long term they're not doing a (expletive deleted) thing except hurt the glass industry and hurt their bottlers."

While all of this has been going on in the beverage industry, glass has come under attack in its two other major areas: cosmetics and food.

Foreign competition for cosmetics packaging has taken a sizable toll. As much as 60% of the "high side" of that business is now supplied by foreign firms, primarily French, Italian and Japanese.

While glass used to dominate the lower priced cosmetics and health and beauty aids, that business has shifted into plastics.

Plastics are also the big competitor for food packaging. The latest challengers are multi-layered containers for catsups and sauces.

Long gone also are the lucrative markets for bleaches and edible oils.

On foods, Lester B. Garton, Jr., corporate vp-general manager, Owens-Illinois Glass Container Div., is much more optimistic today than he was just a few short months ago. The multi-layer "package does not appear to be doing that well in the marketplace and there appears to be some question as to whether the consumer will pay the price differential," he explains.

### Cans: the major competitor

Glass companies used virtually every tool at their disposal to stave off use of cans for beverages.

Taste tests, ad campaigns, scare tactics and that ole cure-all, discounting, was thrown into the fight in the early '60s.

Of course, the tactics didn't work. The soft drink industry was growing so fast that there was enough for everyone and before long, the concern lessened.

Then about two years ago, it came back with a bang. All of a sudden, cans shed their "stable market" image and joined 2-L PET as highly promoted packages.

Their return was marked by some pretty low prices resulting from the capacity used for the automotive market (which was down) being shifted to can stock. The 12-pack programs with their rebates and special funding also didn't hurt.

> ***As it stands now, the top four manufacturers currently make up about 72% of the business.***

Glass company executives are relatively certain that their package is the most profitable one for the bottler, but they'd rather have the increased orders which come with price-offs and trade discounts.

It's one of their priorities, as a matter of fact.

Look for a similar type push—rebates plus a supplemental equipment deal—in the near future. With a resurgence of the domestic automotive industry, the aluminum oversupply situation should be rectified and prices will move up accordingly.

"In some areas, cans have a cost advantage filled on the dock, over glass," comments one glass executive, "but against other areas they don't. Growth and new product entries in the beer industry are in the popular and low priced lines where cans dominate. Glass, the essence of quality, remains primarily the image of the premium and super premium segments which currently show limited growth."

Glass also has the problem of not being promoted, as a result, the glass packages packages underwrite the overall profitability structure which makes it possible to deal on 2-L.

"In the marketplace, about 70% of other than glass packages are sold on promotion and the other 30% is sold at a good price," Coakley adds.

"Bottles set on the shelf at market price and pay the cost of promotions on other packages," says another official.

To offset this perception, GPI just recently finished a promotional program which shows that when beer in glass is promoted, it will increase total beer sales. Plans called for the results of that program to be presented to brewers this fall.

As part of that program, O-I's Charles "Chuck" Pietsch, corporate vp-sales and marketing, glass container division, would like to see a communications program "similar to the one we had with Chris Schenkle several years ago."

He describes that program as highly effective. "The problem, of course, was that it was funded solely by O-I. We paid for it and we got our share of the increases. Other glass companies did not pay yet and got their share of the increases too."

### Diversification

There are very few glass companies which operate purely as glass container producers. With the handwriting on the wall clearly visible, most started diversifying years ago.

As it stands now, the top four manufacturers currently make up about 72% of the

## An unbreakable bottle?

**Although the glass suppliers can and do make valid claims about the superiority of their package, the search continues for a better bottle.**

**All of the major suppliers have ongoing research programs which focus not only on the package itself, but on improved methods of production and quality control.**

**One of the more recent projects to develop an optimum package is called the "Emhardt program." Although details are sketchy, its goal is the development of an unbreakable bottle.**

**Emhardt is a major supplier of glass production equipment in the country. Located in Connecticut, the firm is sponsoring the international program.**

**Participants (glass companies here and abroad) are reportedly being asked to come up with a six-figure investment to get the project started. Each one who joins will share in the fruits of the program.**

**The research is to be conducted in major technical colleges and universities around the world. The scientists reportedly have been given free rein to examine all aspects of the glass making process, starting with the raw materials.**

**Executives interviewed by BI were hesitant to discuss the program, although reportedly several major U.S. firms are participating.**

**There is concern that the research might come up with an academic package that would be technically impossible.**

**One executive responded: "That's exactly the problem. We have long known that the most perfect container we could make would be round. But who's going to tell all those bottlers to change their lines."** ☐

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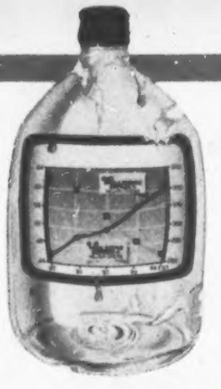

business. Owens is first with an estimated 27%; Brockway second with 17%; and Anchor and Container General Corp. virtually neck and neck with 14%.

Owens-Illinois, the nation's largest glass producer, is a widely diversifed international packaging firm. It is a major producer of packaging both here and aboard, including plastic containers, closures, secondary packaging, corrugated, etc.

It is also becoming a major factor in the health care field. In mid-September, O-I announced its intent to purchase Health Care and Retirement Corp., Lima, OH. The $99 million deal adds 44 long-term health care facilities in six states to O-I's holdings.

However, the Glass Container Division is the largest operating unit at O-I. Major investments are also being made here to develop better glass containers. Last year the firm signed an agreement with Heye, a West-German firm, and anticipates further light weighting of its glass beer containers as a result.

As a result of this modernization, O-I is probably equipped with the most productive machinery in the industry. O-I's Garton points out that his firm is currently producing more glass today than it was several years ago on approximately one-third the former number of lines.

O-I's capacity situation is also well under control, he reports. The total industry is down, O-I is up.

On the beverage side, soft drink container shipments are up, but in beer the market for glass is down.

Although the firm has closed more glass plants than any other firm, it produces more containers than before.

Owens-Illinois no longer makes returnable bottles, concentrating its efforts on nonreturnables. With the closing of its New Orleans plant, it now operates 15 U.S facilities located at: Atlanta; Brockport, NY; Charlotte, MI; Clarion, PA; Huntington, WV; Lakeland, FL; Los Angeles; Oakland; Portland; Streator, IL; Toano, VA; Tracy, CA; Wolney, NY; Waco; and Winston-Salem.

Brockway, the number two firm, changed its name in 1979 and became Brockway Inc. It also is a diversified international packaging firm with major investments in plastic containers (throught the purchase of Ethyl's IMCO Container Div. earlier this year).

Through its Standard Container subsidiary, the firm also supplies specialized metal packaging from half pint through 55 gal. drums. This segment of Brockway's business was augmented in 1983 with the acquisition of Southeastern Steel Container.

In 1983, Brockway expanded its 15-year-old airline business with the purchase of Clinton Aero and Air North, two regional carriers operating in the Northeast.

For fiscal 1983 non-glass represented 22% of Brockway's total revenues as opposed to 6% in 1978. Over that five year period, glass revenues increased by 30%, going from $493 million to $643.

This diversification had the full support of key executives throughout the company, including those of the glass container group comprised of 12 glass plants—10 of which produce soft drink containers, 11 make beer bottles. Beverage bottles constitute 44% of the glass container division's sales.

In early October, Brockway further reduced its plants by announcing it intended to close its glass container plant in Rosemount, MN, Dec. 31.

Despite a series of exclusive interviews with top executives of a half dozen industry leaders, **Beverage Industry** finds it impossible to identify anyone as the overall low-cost leader.

"It's very difficult for me to determine who is the lowest cost producer," observes Coakley, "but I don't feel uncomfortable competing with anyone on a real cost basis.

"And that reflects our expertise in bottle making, quality control and machinery."

Brockway is a full service beverage container firm, offering returnables and nonreturnables in a variety of labeling options, including ACL and PlastiShield.

The firm currently operates 11 glass bottle plants located at: Ada, OK; Brockway, PA; Crenshaw, PA; Danville, VA; Freehold, NJ; Lapel, IN; Montgomery, AL; Muskogee, OK; Oakland, CA; Pomona, CA; and Zanesville, OH.

Anchor Glass claims to be the third largest glass manufacturer in the country. Its only products are glass containers and it makes both nonreturnable and returnable beverage bottles.

The firm grew out of the leveraged buyout of Anchor Hockings' glass container division by financiers William

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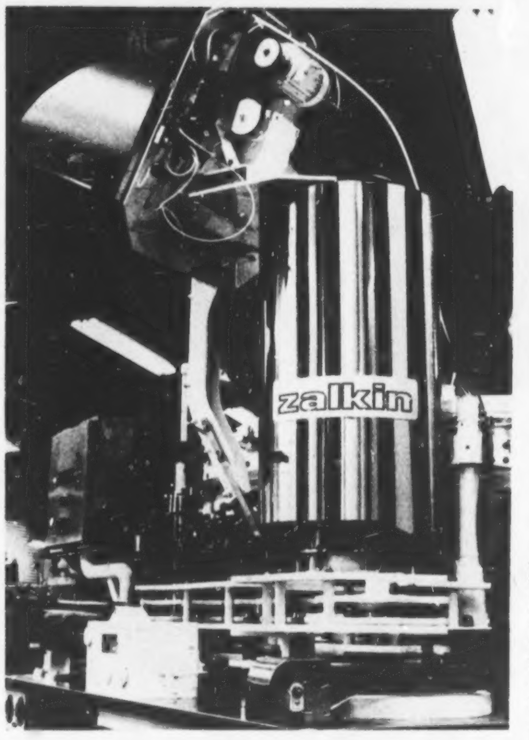

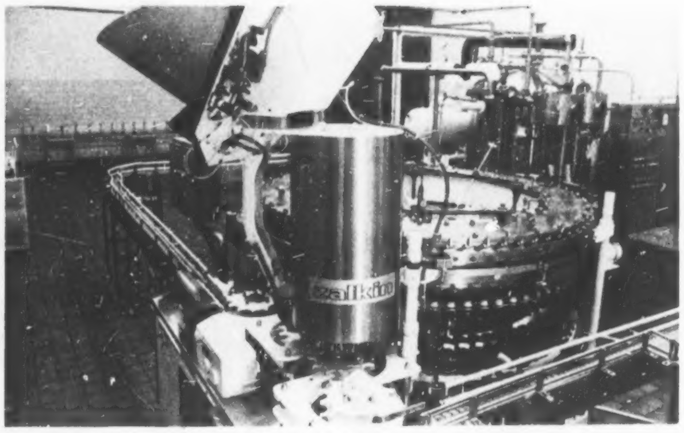

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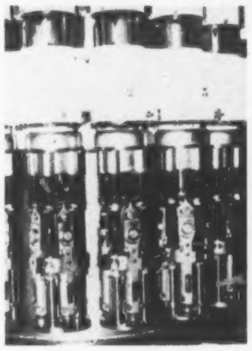

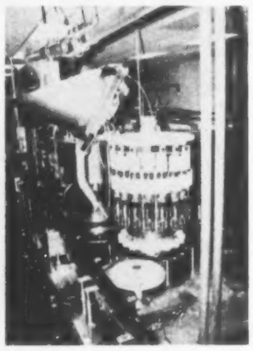

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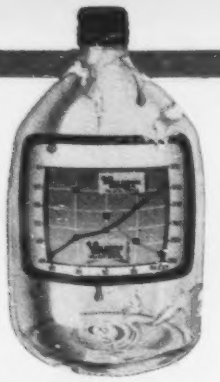


Simon and Raymond Chester in March 1983. In March of this year, Midland Glass

Anchor is also a full service beverage bottle firm, offering both returnables and nonreturnables and a variety of labeling options. The firm operates 10 plants located in Cliffwood, NJ; Salem, NJ; Connellsville, PA; Warner Robins, GA; Jacksonville; Houston; Henrietta, OK; Winchester, IN; Waukegan, IL; and Shakopee, MN.

Anchor operates primarily east of the Rockies. The firm was in the running to acquire the Glass Container plants, but was only interested in acquiring those on the West Coast.

Although there is a general overcapacity in the industry, Anchor is one firm which is operating at or close to capacity. According to Vince Naimoli, president and CEO, his firm currently has 77 feeders installed and though 76 were in operation for the summer and into the fall, 75 were running.

Diversification is also part of this firm's future. As a former executive in Anchor Hocking, Naimoli feels closures and bottles are synergistic and expects to be back in that business some day soon.

He has also considered moving into plastics, "but the margins aren't there for us," and is assessing some of the new European technology which may be available for licensing in this country. For the time being, Anchor's priorities are a West Coast plant. He does not even rule out the possibility of building one.

"At this point, unless some of the people get more realistic about their sales price or get more aggressive about selling plants, it may cause us to have to build one on the borders of California," he adds.

Glass Containers eventually was acquired by Container General (formerly Chattanooga Glass).

For years Chattanooga was a privately-held company. But the family which owned the majority interest wanted to "go public" and in the '50s a decision was made to merge with Dorsey Corp. In the '70s, Dorsey purchased Sewell Plastics which eventually became a major supplier of PET containers.

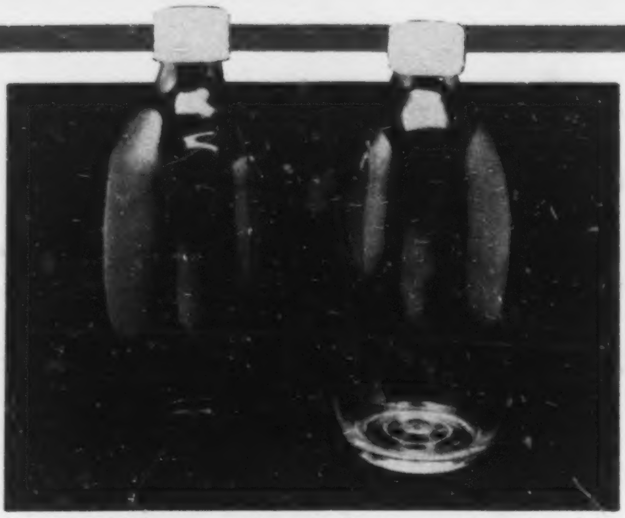
It wasn't long before the bottom dropped out and Chattanooga was in trouble. Not only were they losing money, Dorsey decided that the future was in plastics and that was where they wanted to invest their funds. Word was put out that the division was for sale.

Two outside investors and seven officials of the company eventually put the financing together and took the firm private in a leveraged buyout deal. The major banker was CitiCorp in Chicago.

By closing plants, reducing its labor force and installing new equipment, CGC eventually turned the corner and today is making money.

Today, Container General operates 14 plants and produces a full range of beverage containers, returnables and nonreturnables and is a Plasti-Shield licensee. The firm has also diversified its customer mix. Approximately 37% of its total output is for beer and soft drinks. (When it operated as Chattanooga, the mix was over 90% beverage.)

By the end of the year, CGC will have 12 plants in operation, located at: Antioch, CA; Hayward, CA; Vernon, CA; Corcicana, TX; Gulfport, LA; Atlanta, GA; Chattanooga, TN; Indianapolis, IN; Mt. Vernon, OH; Knox, PA; Danville, CT; and Keyser, WV.



New glass bottles emerge four at a time from each section of the Owens-Illinois, Inc., "ten-quad," the industry's largest, most productive glass forming machine.

**Plant closings**

Over the past five years,

"We told our drivers they'd be driving the 9670 from International.

They told us they'd rather walk."
– *Fred Robbins*
*Southeastern Regional Transportation Manager, Sav-A-Stop/Hanes/DSD*

*Sav-A-Stop drivers before experiencing the 9670 from International*

glass plants have closed, but the industry is still overcapacity. Although there are no "on the record" sources for industry capacity data, leading security analysts have estimated that there is still between 8%-10% overcapacity currently in the industry.

As part of a five-year plan, Anchor Glass Container determined that for the industry to operate at a capacity of 88% in 1989, between 72-98 additional feeders must be taken out of service.

"You can go down a list and point to where 60 of those 72 feeders are," claims Naimoli. "Those plants are operating at 60% today and they're on the list of 'rumored to close.'"

One reason capacity is not dropping faster is that many of the plants, which have been closed, were old and out of date. The capacity in these plants was replaced with more productive, newer equipment in other existing facilities.

## Glass recycling up 11% in '83

Glass container manufacturers bought back and reprocessed a record 1,862,000 lbs. of used bottles and jars in 1983.

According to the Glass Packaging Institute, the 3.75 billion glass containers which were diverted from litter and solid waste streams represent more than 16 containers per man, woman and child in the U.S. The total is 11% higher than in 1982.

"This increase reflects the industry's growing commitment to the reuse of glass in the manufacturing process," comments William W. Sedd, GPI president.

A major source for the cullet is nonprofit and commercial recyclers who pay consumers on a per-pound basis for used bottles and jars.

Because cullet melts faster than the basic components of glass, the melting furnaces of the more than 100 U.S. plants which utilize recycled material can operate at lower temperatures, decreasing energy useage and prolonging furnace life. ☐

The installation of a triple gob unit increases the output of a double by about 50% which means that two triple can replace three double lines. Many of the plants which were closed were two-line single and double-gob facilities.

Late last year, Owens-Illinois installed the "the ten quad," a ten-section, quadruple-gob machine described as the largest, highest productivity bottle forming machine in the world. The two lines can make 40 bottles per cycle, 500 per minute. Their speed is 30% faster than a "ten triple."

What the closings have done is create more equitable capacity situations in some markets. Fourteen of the 16 plants that were closed were in the Northeast where beverage bottle supplies were also reported as "tight" this past summer by a number of bottle suppliers.

"Bottlers did not necessarily fill it because we shipped in containers to fulfill commitments," relates the chief executive of a major supply firm, "but they will fill it next year when we start negotiating price."

His reaction is part of the new feisty mood which bottle executives are beginning to exhibit.

Eight plants have been closed in the East Central region, but capacity has not been reduced significantly here because the capacity of the older plants were replaced with new capacity in more productive units.

The number one supplier, Owens-Illinois, has led in closings with seven. Of the seven, three were in the Northeast.

Container General (Chattanooga Glass & Glass Containers) have closed six, two in the Northeast. Brockway has closed three plants, two in the Northeast.

### Shipments

Under attack in virtually all its markets, the glass industry has been losing customers across the board. Total shipments over the past five years have declined 12.5%.

In 1980, 322.8 million gross of glass containers were shipped to users. In 1984, that number is expected to drop to around 282.6 million gross.

The big challenger in all respects has been plastic. Plastic bottle shipments for all uses has grown over the five year period. The most recent challenger in foods is the coextruded plastic bottle which apparently is targeting the industry catsup and sauce segment.

The good news is on the soft drink side. Nonreturnable single service sizes have increased each year of the last five.

In 1980, 45.3 million gross were shipped. This year, estimated shipments will reach 60.1 million gross, a 32.7%

"International trucks' 9670 turned skeptics into believers."

—John Unitas, National Customer Advisor, International trucks

John: Fred, when you started using 9670s, you were pretty skeptical.

Fred: John, that's an understatement. We have a very efficient driver incentive program that works. We save on fuel; they make more money.

John: What convinced you to try the 9670?

Fred: Dick Colonna, our Director of Vehicle Purchasing. He wanted me to look at the 9670. I knew International trucks had the Lowest Cost of Ownership," but the drivers were happy with the trucks we had. They were fuel efficient and comfortable.

But Dick said, "Maybe we can give our drivers even more."

John: What got your drivers on board?

Fred: Driving it. Day after day after day. These guys do 900 mile trips. And to them, comfort is king. So is reliability. But comfort is the main thing. They've found out that the 9670 is quieter, roomier and has a smoother ride. Now our drivers stand in line for the 9670s.

John: Dick, why were you so sure International trucks 9670s would improve the Sav-A-Stop operation?

Dick: International Harvester proved it to me. They're committed to their Lowest Cost of Ownership™ program. And they can prove to anyone how cost effective their trucks are through the IH FOCUS computer program. The numbers speak for themselves.

John: So you're satisfied, Fred?

Fred: Yes, but that's not what's most important. My drivers are happy, and we're all making more money.

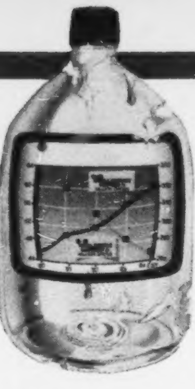
John Unitas and Fred Robbins discuss the advantages of the 9670

To find out more about how the fuel-efficient 9670s can help lower your cost of truck ownership, call toll-free 1-800-336-4500 and ask for operator number 967.

INTERNATIONAL.
THE NUMBER ONE NAME IN TRUCKS.

Sav-A-Stop drivers after experiencing the 9670 from International

Circle No. 198 on Reader Service Card



increase.

The importance of this package is put in perspective by viewing it against the total industry. In 1980, single service containers represented 14% of total industry shipments. In 1984, it represents 21.2% of the total.

The prelabeled single service growth has been driving this segment. According to GPI numbers, PLSSG (prelabeled single service glass) represented 30.2% of all single service bottles. In 1980, it represented 46.7%. By the end of 1983, it represented more than 80% of all single service bottles shipped.

### Taking on plastics

In retrospect, does the industry feel it was negligent in not fighting back on 2-L PET?

In private interviews with BI, the chief executives calling the shots today in the glass business will agree that no, the time and the market for the package was there.

Just about the strongest reaction comes from Joe Wright, who is sr. vp-sales at Container General:

"No, we should not have fought the PET bottle. What we should have done was get off our butts and come out with a good package that would have offered the integrity to the soft drink industry that PET didn't but would also have offered the protection to the consumer that the bottle that we were producing in those days didn't offer.

"We could have been a helluva lot smarter on technology and light-weighted the package we had. We could have put a light weight 64-oz. encapsulated package out there today that could do a good job. It wouldn't be as light as PET, that's for sure, but it would retain the integrity of the product."

As the 2-L was poised to make it's market entry, the glass firms invested millions in coatings and encapsulation techniques to try and offer a less breakabale large size bottle. Few reached the marketplace and the investments were written off.

Pointing out that glass has never lost a market to a cheaper package, O-I's Pietsch reminds us, "The decision to go into PET was a marketing decision, not a pricing decision, the customer paid a premium for that package at the time.

"The decision to let go the family size market was almost a unanimous one. We decided it was going to happen anyway and we held on to our price and within six months we were out of the market."

But because the industry abandoned the family size market is no reason to expect them to roll over for .5-L PET.

"In the smaller sizes, glass is very competitively priced and I don't feel the consumer appeal is there," comments O-I's Garton.

"The only way I feel there will be a viable .5-L PET bottle in the market is with self-

(Continued on page 162)

## Glass plant closings

**1980**
- Glass Containers Corp., Parker, PA
- National Bottle, Salem NJ
- Ober Nester, E. St Louis, IL
- Owens-Illinois Inc., Fairmont, WV
- Underwood Glass, New Orleans, LA

**1981**
- Ball Corp., Mundelein, IL
- Ball Corp., Jersey City, NJ
- Brockway Inc., Washington, PA
- Chattanooga Glass Co., Mineral Wells, MI
- National Bottle, Coventry, RI
- National Bottle, Joliet, IL

**1982**
- Brockway, Inc., Ada, OK
- Glass Containers Corp., Marienville, PA
- Kerr Glass Mfg. Corp., Huntington, WV
- Leone Industries, Rochester, NY
- Maryland Glass, Baltimore, MD
- Owens-Illinois, Inc., Mansfield, MA
- Owens-Illinois, Inc., North Bergen, NJ
- Owens-Illinois, Inc., Gas City, IN

**1983**
- Brockway, Inc., Washington, PA
- Glenshaw Glass, Orangeburgh, NY
- Kerr Glass Mfg. Corp., Keyport, NJ
- Owens-Illinois, Inc., Alton, IL

**1984**
- Anchor Glass Container, Terre Haute, IN
- Brockway, Inc., Rosemount, MN □
- Container General Corp., Jackson, MS
- Container General Corp., Gas City, IN
- Container General Corp., Palestine, TX
- Foster-Forbes Glass Co., Oil City, PA
- Glenshaw Glass Co., Inc., Orangeburg, NY
- Owens-Illinois, Inc., Bridgeton, NJ
- Owens-Illinois, Inc., New Orleans, LA

Why you should spec a Mack truck you're not even thinking of buying.

Like many people, you've taken a hard-nosed look at the real cost of buying new trucks. And decided to lease. But if you think you're handing the problems of ownership to your lessor, your troubles could just be starting. Because you could be leasing a problem.

That's why you should seriously consider Mack® trucks. They've always been a smart buy. Today, they're just as smart to lease.

Read between the Bottom Lines

Look , the cost of full-service leasing is a straight tax deduction. And any truck you spec won't show up on the balance sheet. So you've got to look deeper.

Mack trucks are an asset in lots of different ways. Like less frequent maintenance schedules. Easier servicing. And Mack's legendary dependability. Many Mack trucks have gone over a million miles without major work. So you know the ones you lease are going to spend their time on the road. And not in the shop. Mack's higher level of riding comfort is another factor — when your drivers are more productive, so is your company.

That kind of cost-effective performance says a lot about your bottom line to your customers. They know if your trucks deliver, you can, too.

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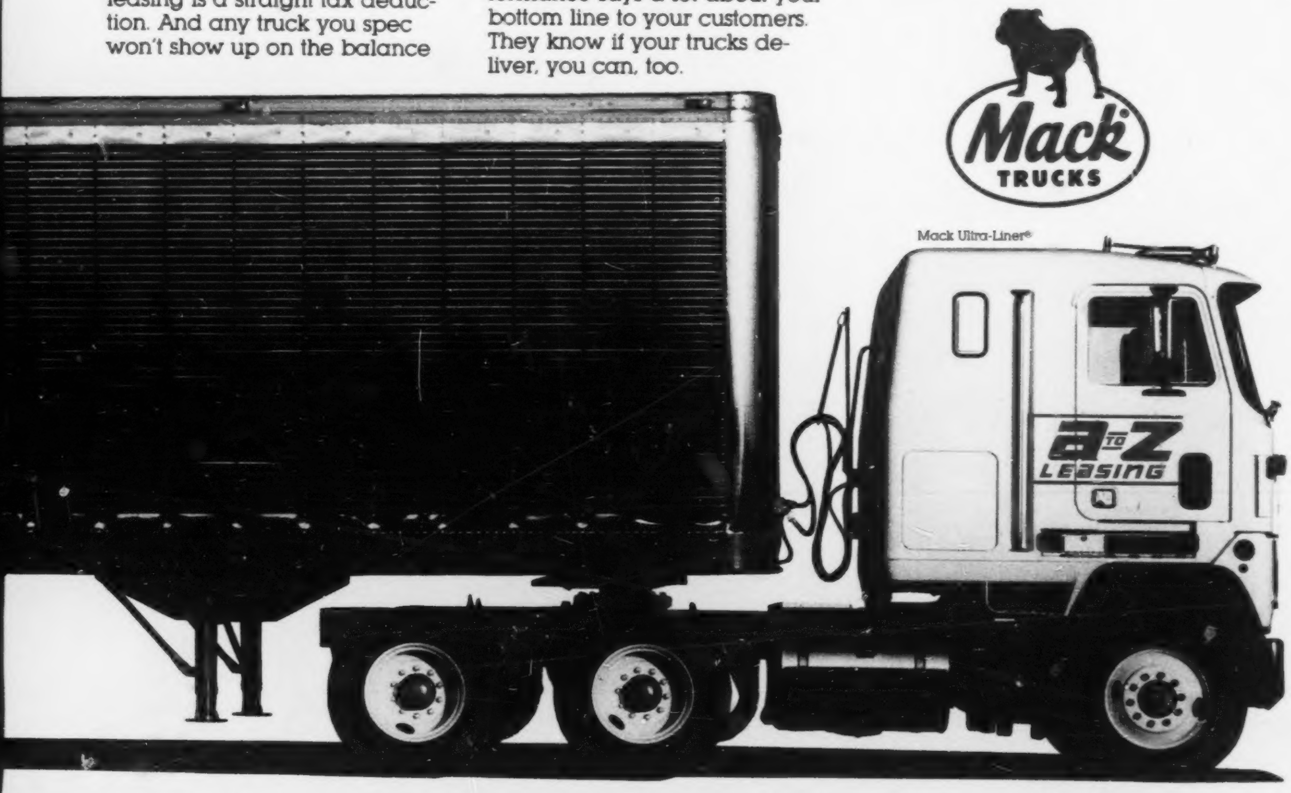
We build trucks with *Balanced Design*, using proven components that work together for the greatest efficiency. You can spec Mack Econodyne® engines, Maxitorque® and T-200™ transmissions. Or choose from a selection of popular components from other manufacturers.

Either way, you get Mack performance that rolls up a lot of miles, years and profits. Talk to your Mack dealer or leasing agent. The Mack trucks you lease could be the smartest buy you ever made.



What America needs is less bull and more Bulldog.

Ultra-Liner, Econodyne and Maxitorque are registered trademarks of Mack Trucks, Inc. © 1984

# 269 firms controlling 75% industry volume

**1983 Soft Drink Headquarter Company Demographics**

| Headquarter's Sales Volume Range[a] | Number of Headquarter Companies | Estimated Wholesale Dollar Volume |  | Estimated Cumulative Wholesale Dollar Volume |  |
|---|---|---|---|---|---|
|  |  | Amount (000) | Percent of Total | Amount (000) | Percent of Total |
| Over $500 Million | 6 | $2,829,000 | 18.2% | $3,829,000 | 18.2% |
| $250 to $500 Million | 9 | 2,531,500 | 12.0 | 6,360,500 | 30.2 |
| $100 to $250 Million | 28 | 4,788,500 | 22.7 | 11,149,000 | 52.9 |
| $50 to $100 Million | 35 | 2,384,000 | 11.3 | 13,533,000 | 64.2 |
| $25 to $50 Million | 47 | 1,597,500 | 7.6 | 15,130,500 | 71.8 |
| $10 to $25 Million | 81 | 1,109,500 | 5.3 | 16,240,000 | 77.1 |
| Under $10 Million | 63 | 291,000 | 1.4 | 16,531,000 | 78.5 |
| Total | 269 | 16,531,000 | 78.5% |  |  |
| All others |  | 4,518,250 | 21.5 | $21,049,250[b] | 100.0% |
| Total U.S. Soft Drink Industry |  | $21,049,250[b] | 100.0% |  |  |

[a] Headquarter sales volume represents a headquarter company's total wholesale soft drink dollar volume including sales of all its subsidiary locations.

[b] Soft drink bottler and canner package and fountain sales only; does not include approximately $1.43 billion of fountain syrup sales through other distribution. Total 1983 soft drink wholesale dollar volume approximates $22.47 billion.

Source: Beverage Marketing™

Copyright: **Beverage Industry** November 1984

**1983 Soft Drink Headquarter Company Subsidiary Locations**

| Soft Drink Headquarters Sales Volume Ranges | Number of Headquarter Companies | Subsidiary Soft Drink Locations of Headquarter Companies |  |  |
|---|---|---|---|---|
|  |  | Manufacturing | Distributing | Total |
| Over $500 Million | 6 | 104 | 163 | 267 |
| $250 to $500 Million | 9 | 86 | 112 | 198 |
| $100 to $250 Million | 28 | 148 | 261 | 409 |
| $50 to $100 Million | 35 | 103 | 102 | 205 |
| $25 to $50 Million | 47 | 89 | 92 | 181 |
| $10 to $25 Million | 81 | 112 | 116 | 228 |
| Under $10 Million | 63 | 73 | 67 | 140 |
| TOTAL | 269 | 715 | 913 | 1,628 |

Source: Beverage Marketing™

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*(Continued from page 4)*

large sales volume by the large territories they cover.

The statistics are disclosed in BMC's "Who Owns Who In The Soft Drink Industry," an exhaustive 321-page report that details the 269 headquarter soft drink companies in the U.S. and profiles their subsidiaries. A statistical analysis is offered at the beginning of the report.

Company profiles give the headquarter company, its location, key personnel, sales volume and subsidiaries. Each subsidiary is further detailed with information about location, key personnel, number of employees and delivery vehicles, sales volume, and its brands. Also indicated is whether the subsidiary is a bottler, canner, both, or just a distributor.

***Actually, less headquarter firms exist, but they are larger than ever.***

The report's statistics bear out the accelerated pace that the industry is consolidating. (See related charts.)

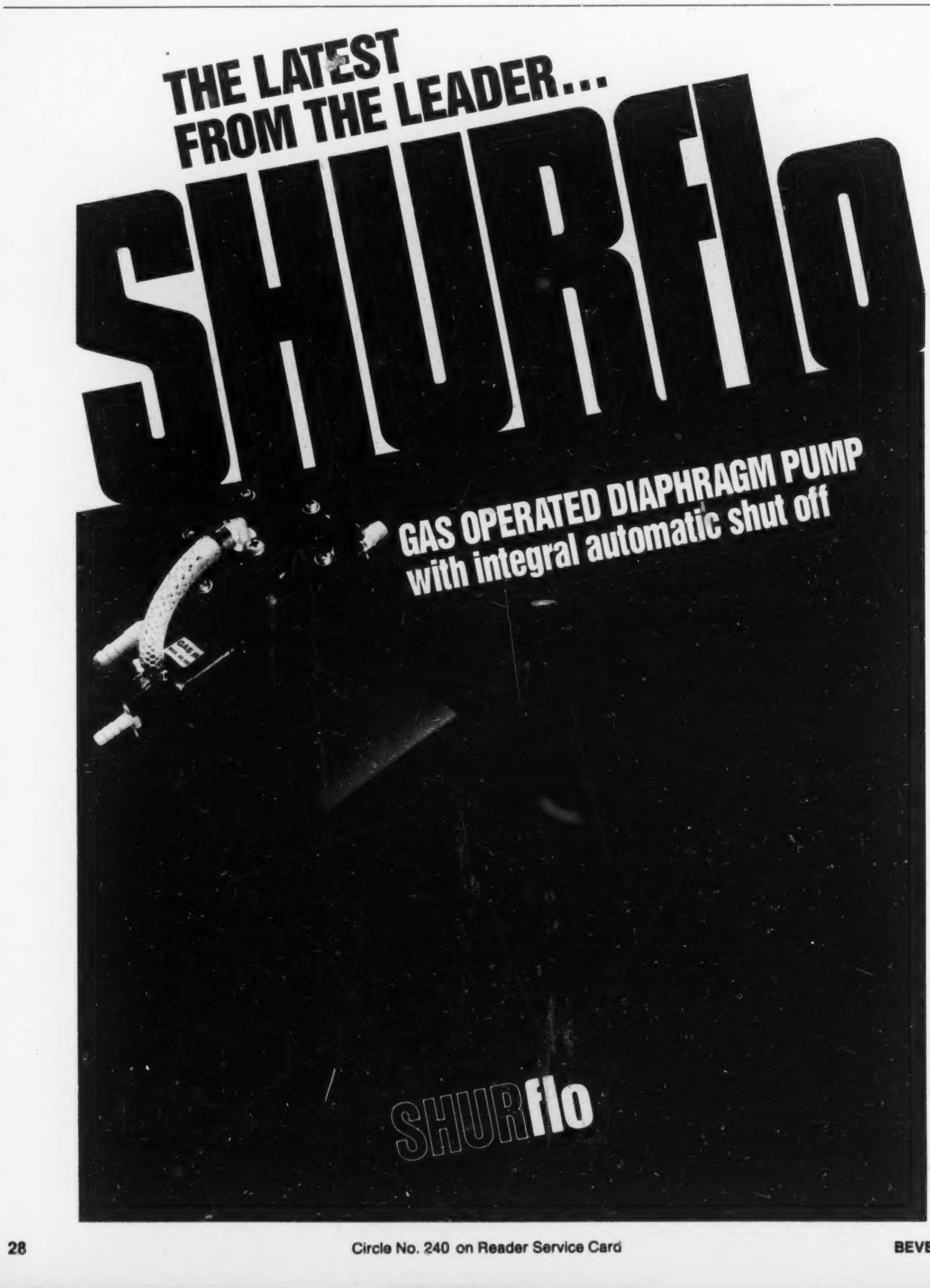
Actually less headquarter companies exist, but they are larger than ever. Two more headquarter companies have joined those with over $250 million in sales since 1982; two more have joined the $100 to $250 million bracket; six have entered the $50 to $100 million bracket; nine more firms totaled between $25 and $50 million; and, two more headquarter companies have joined the $10 to $25 million range.

But there are 24 less headquarter companies in the under $10 million category and three less total headquarter companies from 272 in '82 to 269 last year.

The remaining non-headquarter firms account for 21.5% of sales, the report indicates.

**Independent firms**

But while the non-headquarter firms only represent a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with integral automatic shut off
GAS
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small percentage of sales, they still represent over half of the total U.S. soft drink manufacturing plants. Of the 1,460 manufacturing plants, 745 or 51% are independently-owned.

The report divides the headquarter companies into seven sales volume categories. Each of the categories grew except the "over $500 million," which stayed the same, and "under $10 million," which dropped from 87 to 63 firms.

When it comes to the individual subsidiaries, the report reveals those that are headquarter-owned tend to have a larger sales volume than the independents. The report divides the plants into eight sales volume categories, ranging from $50 million or more to less than $1 million. The most common range among the headquarter-owned plants is the $10 to $25 million range, but among the independents, it's the $3 to $5 million range.

The report shows the average volume per headquarter manufacturing plant is $23,120,000 compared to $6,065,000 for the independents.

For more information or to purchase "Who Owns Who in the U.S. Soft Drink Industry," contact Beverage Marketing Corp., 866 Second Ave., New York, NY 10017; (212) 688-7640. □

## Top ranking headquarter companies

**OVER $500 MILLION**

**Beatrice Foods**
Chicago, IL 60602

**Coca-Cola USA**
Atlanta, GA 30313

**GCC Beverages**
Boston, MA 02167

**JTL Corp.**
Chattanooga, TN 37402

**MEI Corp.**
Minneapolis, MN 55402

**Pepsi-Cola Bottling Group**
Purchase, NY 10577

**$250-$500 MIL.**

**All-American Bottling Corp.**
Coral Gables, FL 33134

**Coca-Cola Bottling Co. of New York**
Greenwich, CT 06830

**Dr Pepper Co.**
Dallas, TX 75265

**Honickman Affiliates**
Philadelphia, PA 19124

**Mid-Atlantic Coca-Cola Co.**
Richmond, VA 23230

**Pepsi Cola General Bottlings**
Chicago, IL 60639

**Seven-Up U.S.A. Inc.**
St. Louis, MO

**Shasta Beverages Inc.**
Hayward, CA 94545

**Westinghouse Co.**
Pittsburgh, PA 15222

**$100-$250 MIL.**

**Allegheny Beverage Corp.**
Baltimore, MD 21218

**Alpac Corp.**
Seattle, WA 98144

**Atlantic Soft Drink Co.**
Columbia, SC 29202

**Beverage Management Inc.**
Columbus, OH 43229

**Buffalo Rock Co.**
Birmingham, AL 35209

**Cameron Coca-Cola Bottling Co.**
Washington, PA 15301

**Coca-Cola Bottling Co.**
Niles, IL 60648

**Coca-Cola Bottling Co.**
San Antonio, TX 78219

**Coca-Cola Bottling United Inc.**
Birmingham, AL 35217

**Consolidated Coca-Cola**
Charlotte, NC 28231

**Florida Bottling Co.**
Hollywood, FL 33021

**G&J Pepsi Cola Bottlers**
Cincinnati, OH 45202

**General Beverages, Inc.**
Abilene, TX 79603

**Hygeia Coca-Cola Bottling Co.**
Pensacola, FL 32574

**Johnston Coca-Cola Bottling**
Cleveland, TN 37311

**Joyce Beverages**
New Rochelle, NY 10802

**Louisiana Coca-Cola Bottling Co.**
Longview, TX 70125

**Mid-South Bottling**
Longview, TX 75606

**New Century Beverage Corp.**
San Francisco, CA 94110

**Pepcom Industries Inc.**
Garden City, NY 11530

**Pepsi-Cola Bottling Co.**
Denver, CO 80216

**RKO Bottlers Inc.**
Fort Wayne, IN 46804

**Rochester Coca-Cola Bottling Co.**
Rochester, NY 14605

**Royal Crown Companies**
Chicago, IL 60632

**Santa Fe Associates**
Mount Pleasant, PA 15666

**Southeast Atlantic Corp.**
Jacksonville, FL 32216

**Wichita Coca-Cola Bottling Co.**
Wichita, KS 67211

**Wometco Enterprises Inc.**
Miami, FL 33128

## 1983 SOFT DRINK HEADQUARTER PLANT SIZE ANALYSIS

| SOFT DRINK PLANT SALES VOLUME RANGES (a) | HEADQUARTER COMPANY-OWNED SOFT DRINK PLANTS | | INDEPENDENTLY-OWNED SOFT DRINK PLANTS | | TOTAL U.S. SOFT DRINK PLANTS | |
|---|---|---|---|---|---|---|
| | NUMBER | PERCENT | NUMBER | PERCENT | NUMBER | PERCENT |
| $50 Million or more | 73 | 93.6% | 5 | 6.4% | 78 | 100.0% |
| $25 to $50 Million | 115 | 94.2 | 7 | 5.8 | 122 | 100.0 |
| $10 to $25 Million | 242 | 82.6 | 51 | 17.4 | 293 | 100.0 |
| $5 to $10 Million | 143 | 56.7 | 109 | 43.3 | 252 | 100.0 |
| $3 to $5 Million | 66 | 27.8 | 171 | 72.2 | 237 | 100.0 |
| $2 to $3 Million | 53 | 25.4 | 155 | 74.5 | 208 | 100.0 |
| $1 to $2 Million | 23 | 14.5 | 136 | 85.5 | 159 | 100.0 |
| Less than $1 Million | 0 | 0.0 | 111 | 100.0 | 111 | 100.0 |
| TOTAL | 715 | 49.0% | 745 | 51.0% | 1,460 | 100.0% |

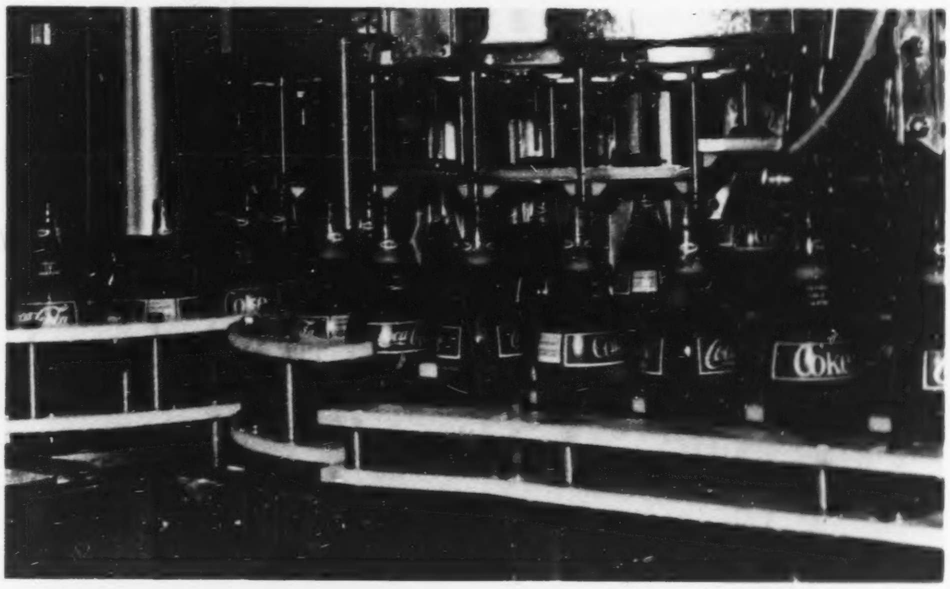
(a) Wholesale dollars

Source: Beverage Marketing™

Copyright: **Beverage Industry** November

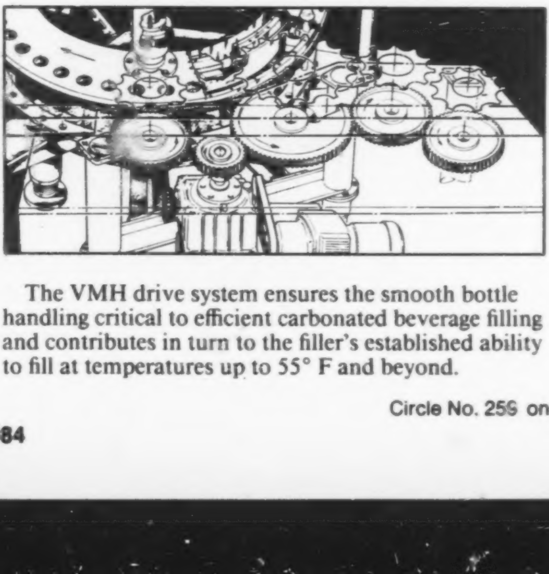
The VMH Silverstream Beverage Filler:

The Simplicity And Reliability Of Gear-To-Gear Drive. 3-L PET On Every VALVE



Unique in the industry, the VMH gear-to-gear drive system minimizes the broken bottles, machine damage, and product flow stoppages associated with the timing imperfections common to belt drive and other inferior systems.

Each rotary motion in the Silverstream filler is driven by a positively meshed gear on the same plane as the main drive pinion.



The VMH drive system ensures the smooth bottle handling critical to efficient carbonated beverage filling and contributes in turn to the filler's established ability to fill at temperatures up to 55° F and beyond.

The simplicity of the system makes light of regular operation and maintenance chores.

Silverstream fillers are available to handle your range of bottle sizes at speeds to match most any requirement. The sensible engineering incorporated in the drive system in carried throughout the machine.

Contact VMH today to find out all the ways the Silverstream filler will ensure maximum efficiencies in your bottling line.

Come see us in Booth 2305

VMH

Division of Vickers Miller Hydro, Inc.
8084 Watson Rd./St. Louis, MO 63119/Phone 314-842-0400
Telex 442475/Cable VMHSTL

Circle No. 259 on Reader Service Card

# BI survey: Bottlers to buy more equipment in '85

### 1985 Planned Packaging and materials handling equipment purchases

| Item | % of bottlers planning to buy new equipment | % of bottlers planning to buy old equipment | Average amount budgeted |
|---|---|---|---|
| Multi-pack/glass | 1.9 | 3.7 | $40,000 |
| Multi-pack/cans | 3.7 | 5.6 | $248,250 |
| Uncaser | 7.4 | 1.9 | $28,000 |
| Case packer | 13.0 | 7.4 | $70,889 |
| Depalletizer | 9.3 | 0 | $48,200 |
| Palletizer | 13.0 | 3.7 | $80,000 |
| Shrink wrapper | 11.1 | 0 | $172,000 |
| Labeling machine | 13.0 | 1.9 | $60,000 |
| Accumulating table | 5.6 | 1.9 | $21,250 |
| Conveyors | 33.3 | 3.7 | $51,411 |
| Hand trucks | 16.7 | 0 | $ 916 |
| Forklift trucks | 35.2 | 5.6 | $56,647 |
| Sound abatement equip. | 5.6 | 0 | $40,000 |
| Quality control equip. | 20.4 | 0 | $18,562 |
| Electronic inspection | 9.3 | 3.7 | $33,450 |
| Visual inspection | 3.7 | 0 | $12,183 |
| Coding equip. | 18.5 | 0 | $19,083 |
| Sanitation equip. | 3.7 | 0 | $1,500 |

Source: Market Data Communications
for **Beverage Industry**

Copyright: **Beverage Industry**
November 1984

### 1985 planned production equipment purchases

| Item | % of bottlers planning to buy new equipment | % of bottlers planning to buy old equipment | Average Amount budgeted |
|---|---|---|---|
| Bottle washer | 0 | 1.9 | $20,000 |
| NR bottle rinser | 14.8 | 1.9 | $27,125 |
| Bottle or can filler | 18.5 | 13.0 | $262,083 |
| Proportioning, cooling equip. | 20.4 | 13.0 | $123,928 |
| Cappers | 7.4 | 7.4 | $63,200 |
| Decappers | 0 | 0 | 0 |
| Refrigeration Equip. | 9.3 | 1.9 | $83,333 |
| Can/bottle warmer | 14.8 | 3.7 | $59,700 |
| Post/pre-mix tank washer | 5.6 | 1.9 | $25,000 |
| Post/pre-mix filling equip. | 13.0 | 3.7 | $43,500 |
| Boilers | 5.6 | 0 | $50,000 |
| Syrup mixing systems | 7.4 | 1.9 | $16,500 |
| Liquid sugar production equip. | 9.3 | 0 | $48,333 |
| Pasteurizers | 0 | 0 | 0 |
| Water treatment | 11.1 | 1.9 | $43,428 |

Source: Market Data Communications
for **Beverage Industry**

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November 1984

EXCLUSIVE—Most bottlers plan to increase equipment purchasing expenditures in 1985 over what was spent in '84, according to results of a **Beverage Industry** survey. And if that's an accurate barometer of things to come, activity between bottlers and suppliers should be frenzied at the first InterBev.

Some of the key results revealed in the survey were:

- Sixty-five percent of the respondents plan on increasing equipment expenditures an average of 39% in 1985;
- Thirty-one percent of bottlers responding say they'll spend less, an average of 50% less than in '84;
- And, finally, 4% of the respondents don't feel 1985 expenditures will be much different than this year.

**Beverage Industry**, in conjunction with Market Data Communications of Harcourt Brace Jovanovich, mailed out 1,400 surveys and received 131 responses from bottlers all over the country. Bottlers surveyed ranged in sales volume anywhere from under $1 million to over $25 million, and were selected from all geographic regions of the country.

Of those responding, 42.6% reported they would be making "new equipment" purchases, and will spend an average of $531,190 on this equipment.

Fifty-nine percent of respondents reported they would be "replacing existing equipment" with an average expenditure of $340,250. And another 59% told **BI** they planned expenditures on "improvement of exisiting equipment," with an average expenditure of $174,370.

What type of equipment are bottlers leaning toward in '85? Those responding report money expenditures on every major piece of equipment on their line in one form or another. But, of course, there is much more budgeted in '85 for some pieces of equipment than others. The range of planned expenditures is quite wide. (See related chart.)

For instance, 18.5% of the respondents say they plan to invest in either new can or bottle fillers and another 13% have penciled used fillers into their budgets; 13.7% said they would actually be expanding and adding a new filler to the line. The average expenditure planned is $262,083. Bottlers also reported the average speeds their fillers could be expected to perform at depending on the package size.

***42.6% reported they would be making "new equipment" purchases, and will spend an average of $531,190 ...***

1-L on average fills at 268 bpm; 2-L at 146 bpm and .5-L at 447 bpm; 12-oz. cans fill at an average of 945 cpm.

On the other end of the purchasing spectrum, 16.7% of the respondents say they will be making investments in new hand trucks in '85 with an average expenditure of $916.

Some of the other budgeted expenditures on the high end include: $123,928 for proportioning/cooling or carbonation equipment; $248,250 for multi-pack systems for cans; and, $172,000 for new shrink wrappers.

Expenditures vary widely depending on the bottler. Of those planning to spend more in 1985, 25% report they will spend roughly 10% more; 12.5% say about 20% more; 28.1% report about 30% more; 15.6% say roughly 50% more; 3.1% say 70% more and 15.6% reported 100% more in expenditures.

But of those that are decreasing expenditures, 20% say they will decrease by roughly 10%. The rest that reported planned decreases in 1985 report a wide range of decreases.

When selecting new equipment, bottlers have lots of variables to consider. Respondents reported the following considerations "very important" when purchasing new line equipment: Faster speeds; greater flexibility in operation; greater efficiency in operation; and, more energy efficient.

Considered "somewhat

## *Vending purchasing report*

# Bottlers budget $.5 million for new equipment

EXCLUSIVE—In an exclusive survey of vending managers, **Beverage Industry** has learned that bottlers on average purchased 120 vending machines last year and expect to spend nearly $.5 million on new machines in 1985.

**BI** surveyed 760 vending managers and received 111 responses in an effort to determine purchasing plans for the upcoming year. The study was done in conjunction with Market Data Communications of Harcourt Brace Jovanovich Publications.

Survey results show the average bottler will purchase 201 can venders, 25 bottle venders and 185 convertible units in 1985 for a total of 411 venders. Additionally, these same bottlers will each spend $230,718 on new can venders, $28,418 on new bottle venders and $222,529 on new convertible vending machines, or a total of $481,665.

In general, the survey shows respondents are increasing the number of can and convertible venders they are using while in many cases decreasing the number of bottle venders.

Half of the respondents said they would decrease the number of bottle venders used, while 42% said they would increase and 8% said they would keep about the same number in use. In addition, of those bottle venders purchased this year, 65% were for new placement while 35% were for replacement of old equipment.

Every respondent reported they increased the number of can venders last year.

Of those purchased to date this year, 63% have beenfor new placement and 37% for replacement.

Every respondent also reported an increase in the number of convertible venders used last year. In addition, this year to date 74% of the convertibles purchased have been for new placement, 26% for replacement.

Managers also revealed that 30% of their venders use electronic components.

In addition, just over 80% of the venders are serviced by the bottler and the rest are serviced by an outlet operator. ☐

### '85 Vending purchasing plans

average per bottler

| Type | Amount budgeted | No. of venders |
|---|---|---|
| Can venders | $230,718 | 201 |
| Bottle venders | $28,418 | 25 |
| Convertibles | $222,529 | 185 |

Source: Market Data Communications
for **Beverage Industry**

Copyright: **Beverage Industry**
November 1984

important" by bottlers is increasing automation of the equipment and improved monitoring systems.

When it comes to machinery problems, bottlers reveal that insufficient speed, lack of flexibility, availability of spare parts, vender service, cost, quality of construction and delivery time are all "somewhat of a problem" with the machinery that they now own. The majority responded that energy/power consumption was "not much of a problem."

When asked what bottlers considered their maximum period of investment return on capital expenditures to be, responses were varied, but the average length of time was 3.7 years. Of those responding, 2% said one year, 22% said two years, 34% said three years, 6% said four years, 30% said five years and another 6% of respondents reported over five years.

Bottlers reported costs of operation have increased in all areas: Production up 77.8%; ingredient costs 10.2%; distribution 9.5%; packaging 9%. □

**Most significant machinery problems**

| Problems | Major problem | Somewhat of a problem | Not much of a problem | No problem at all |
|---|---|---|---|---|
| Insufficient speed | 23.5% | 43.1% | 29.4% | 4% |
| Lack of flexibility | 21.2 | 51.9 | 25.0 | 1.9 |
| Availability of spare parts | 30.8 | 40.4 | 15.8 | 13.0 |
| Energy consumption | 25.0 | 46.2 | 25.0 | 3.8 |
| Vender service | 6.1 | 46.9 | 36.7 | 10.3 |
| Cost | 26.9 | 55.8 | 17.3 | 0 |
| Quality of construction | 30.8 | 32.7 | 28.8 | 7.7 |
| Delivery time | 26.9 | 36.5 | 28.9 | 7.7 |

Source: Market Data Communications for **Beverage Industry**

Copyright: **Beverage Industry** November 1984

**Importance of machinery technology advances**

| Advances | Very important | Somewhat important | Not too important | Not at all important |
|---|---|---|---|---|
| Faster speeds | 52% | 32% | 14% | 2% |
| Greater flexibility in operation | 62.0 | 30.0 | 4.0 | 4.0 |
| More automatic | 37.3 | 47.1 | 13.6 | 2.0 |
| Advance controls or monitoring systems | 22.0 | 60.0 | 16.0 | 2.0 |
| Greater efficiency | 86.5 | 11.5 | 0 | 2.0 |
| More energy efficient | 52.9 | 39.2 | 5.9 | 2.0 |

Source: Market Data Communications for **Beverage Industry**

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# Beverage ad expense on the rise

EVANSTON, IL—Schonfeld & Associates' eighth annual study on advertising and promotion in 210 industries, reveals that beverage advertising budgets will increase again in 1985.

Eight soft drink companies, including Coca-Cola and Pepsi-Cola were studied and a 6.9% growth rate in ad expenditures for 1985 is expected in the bottled/canned soft drink industry. Ad dollars are 5.9% of sales and 11.9% of margin in this sector of the beverage industry.

Pepsi's ad budget is expected to exceed Coca-Cola's in 1985; Pepsi is expected to spend $575 million, Coke $505 million.

### Malt beverages

The malt beverage industry's ad budget is expected to increase 18.2% in 1985. A total of $1.2 billion is the expected price tag on the advertising of malt beverages, with Anheuser-Busch's record-breaking budget of $545 million adding significantly into that total. Stroh's $200 million ad budget places a distant second.

Ad dollars are 7.3% of sales and 22.7% of margin in the malt beverage industry, according to the study. Nine malt beverage companies figures are revealed in this study.

Schonfeld's figures on six distilled spirits companies predict that ad budgets will reach $486 million in 1985, a growth rate of 3.8% for this sector of the beverage industry.

Ad dollars are 6.6% of sales and 17.1% of margin for the distilled spirits industry. Seagram's is expected to spend $266 million in advertising in 1985.

Copies of the Schonfeld & Associates, Inc. study on industry advertising budgets in 1985 are priced at $275. Write Schonfeld & Associates, Inc., 2550 Crawford Ave., Evanston, IL 60201; phone 1-800-323-7820. □

### *Truck purchasing report*

# Bottlers earmark over $1 million for fleets in '85

EXCLUSIVE—In a separate survey of plant fleet managers, **Beverage Industry** has learned bottlers, on average, have budgeted slightly more than $1 million for the purchase of new trucks, trailers and bodies in 1985.

Of the 1,200 fleet managers that were surveyed, 160 responded to the survey. Those responding represent some of the larger bottling facilities, in terms of volume, in the country.

The survey breaks down this way: On average bottlers will spend $394,030 on new trucks in 1985; $135,313 on new bodies; $350,730 on new tractor-trailers; and, $269,326 on new trailers. This represents a total average fleet budget of $1,082,500 in 1985.

Accordingly, bottlers will purchase on average 10 new trucks, nine bodies, 11 tractor-trailers and 11 trailers next year.

Presently, the average bottler has 88 trucks, 52 tractors, 33 delivery vans and 51 service automobiles.

The survey shows bottlers own 89% of their trucks, 63% of their tractors, 59% of their step vans and 68% of their service automobiles. The remaining vehicles are leased.

Most bottlers are decreasing the number of route trucks they use in favor of route trailers. The survey revealed that while 25% increased their number of route trucks, the remaining 75% either decreased or kept the same number.

But 46.3% increased the number of route trailers and only 7.6% of the respondents decreased while 46.1% stayed the same.

### Truck bays

The majority of route trucks have 10 or fewer bays, the survey revealed, while the average route trailer has 14 bays. On average, respondents said 65.4% of their route trucks have 10 or fewer bays, with 12 bays the second most common.

These same respondents reported 83.7% of their route trailers have 14 bays, while 16 was the second most common number of bays reported in route trailers. □

**'85 Fleet purchasing plans**

(average per bottler)

| Type | Amount budgeted | No. budgeted |
|---|---|---|
| Trucks | $394,030 | 10 |
| Bodies | $135,313 | 9 |
| Trailers/tractors | $350,730 | 11 |
| Trailers | $269,326 | 11 |

Source: Market Data Communications for **Beverage Industry**

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# NAMA reports vending profits at record low

CHICAGO—American vending companies' average net profits before income taxes dropped to 1.5% of gross sales in 1983, according to the Annual Operating Ratio Report compiled by the National Automatic Merchandising Assn. (NAMA).

This is the lowest level since the report was first compiled in the early 1950s. In 1982, net profit was 2.8% of sales, while in '81, that figure was even higher at 3.7%.

Net profits for companies with sales of less than $750,000 averaged 5.1% in '83, while those in the over $10,000,000 and from $750,000 to $2,000,000 brackets reported net profit averages of only 1.3%. Companies with sales from $2,000,000 to $10,000,000 had net profit averages of 2.5%.

G. Richard Schreiber, NAMA president, commented that returns on assets dropped from "a not-so-good 9.6% in 1982 to 8.9% in 1983."

The 1983 report, based on operating data furnished by the 150 member firms with a combined volume of $1,704,948,000, revealed that 73.7% of the survey's participants expect higher net profits this year and 85.2% forecast increased sales volume.

Total payroll expenses averaged 26.1% of gross sales, up from 25.3% and 24.2% during the previous two years. Average commissions (payments of profit share to clients) came to 7.1% of sales, down from 8.3% in '82, and even with the 1981 figure.

Sales other than through vending machines, most from concessions operations and conventional nonvending food service, amounted to 57.7% of total volume, up considerably from 44.6% in 1982 and 34.8% in 1981.

The NAMA Operating Report is available to members at $27.50 for the first copy, and $8 for additional copies. Nonmembers may obtain a two-page summary of the report by contacting: National Automated Merchandiser Association, 7 South Dearborn St., Chicago, IL 60603; phone: (312) 346-0370. □

> ***"73.7% of the survey's participants expect higher net profits this year and 85.2% forecast increased sales volume.***

we've already passed those," he says.

Customer reaction for aseptically-packaged products has been high in various markets. And Chicago, says Bartak, is certainly no exception. Saying that consumers are "enthusiastic" about Juicyful in the package, Bartak says that Chicago shoppers "feel good about buying it (Juicyful)" because of the juice content.

Retailer reaction has been just as high in the Chicago market, says Bartak. "No question about it; we've received a very good reaction from the trade," he says. Bartak says that acceptance of aseptics has been so good that some retailers are considering packaging private label drinks for the shelf.

Sold to wholesalers for supermarket distribution, vending is an option that Bartak says is currently being reviewed. "Institutional vending is attractive and we are considering it," he says. The company, according to reports, introduced Juicyful with the intent of securing a place in the market with its own label with the hope of expanding into various private-label products for chain markets.

***Pepsi General is also selling its Orchard Sun at Chicago Cubs home baseball games since Wrigley Field is one of the bottler's accounts.***

**Brand contents**

The brand contains 10% juice and is available in apple, fruit punch, orange, grape and pineapple-orange flavors. It will retail between 85 cents to 90 cents per box.

American Juice packages Juicyful in the 8.45-oz. package instead of the 12-oz. pack because, Bartak says, that is where the market was when the product was introduced in June. "That doesn't mean we won't change to the 12-oz. package eventually," he points out.

Competition in the Chicago market is just as rough and intense as in Manhattan and/or Los Angeles. But, Bartak is taking a philosophical view: "We've always said that competition is good." In assessing Pepsi General's aseptic entry, Bartak says that "they see an available market. Orchard Sun seems to have been selling well recently."

• For more information on **American Juice's Juicyful**, circle no. 351 on the reader service card; on **Pepsi General's Orchard Sun**, circle no. 352. ☐

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### *Aseptic round-up*

# Bottlers look to cold market to aid sales

**System-area costs for three juice-packaging systems**

(in dollars per 1,000 gallons packed)

| System Area | Aseptic | Glass | | Steel |
|---|---|---|---|---|
| | | (qt.) | (½ gal.) | (46 oz.) |
| Processing | $ 16.81 | $ 8.89 | $ 5.51 | $ 3.83 |
| Filling | 402.90 | 850.88 | 753.94 | 993.06 |
| Casing | 93.02 | 192.34 | 180.77 | 121.36 |
| Case handling | 8.14 | 25.84 | 12.92 | 5.36 |
| Plant storage | 7.15 | 16.04 | 9.93 | 4.87 |
| Transport to warehouse | 120.88 | 162.50 | 160.38 | 126.13 |
| Warehouse storage | 4.19 | 4.44 | 4.76 | 4.15 |
| Transport to retail | 12.09 | 16.25 | 16.04 | 12.61 |
| Retail storage | 1.75 | 1.82 | 1.95 | 1.74 |
| Retail display | 1.33 | 79.36 | 59.41 | 55.57 |
| TOTAL | $668.26 | $1,360.36 | $1,205.61 | $1,328.68 |

Source: Frost and Sullivan

Copyright: Beverage Industry
November 1984

Special Report—Many of the soft drink bottlers that have opted to enter the aseptic arena have found their best opportunities in the cold box market.

Food stores have grown increasingly price competitive in the aseptic market making it more difficult for regional brands, but the bottlers' extensive distribution system have let them make inroads in the cold box market that national brands can't even touch.

"The bottler's best opportunity for profit is currently on the cold drink side," says Don Reed, vp-sales for Power Packaging, Inc, which contract packages aseptic products.

"It's true that the vending and convenience store segments are generally proving more profitable, however, the take-home or supermarket business is still important to the bottler."

Refreshment Enterprises, a wholly-owned subsidiary of Louisiana Coke, has the same outlook. Its 35%-juice drink, Squeeze, is franchised to 11 bottlers in Louisiana, Mississippi and some outlying areas.

"We're looking at changing the emphasis to the cold market as opposed to supermarkets," says Ben Blake, general manager.

In a recent study, *The Aseptic Packaging Market*, compiled by Frost and Sullivan, they reported: We "anticipate that the next major growth area for single-serving containers of these products will come from changes in the distribution system. The utilization of established franchises of soft drink bottlers and distributors could lead to new market opportunities. We estimate that 40% of single-serving containers of these still drinks could be distributed and sold through this network

"This segment of the beverage industry has a captive distribution system that employs direct store delivery. The promotion of vending machines that are specifically designed for aseptic products will also take place through the medium of this network."

Bottlers are relatively new to the aspetic market and are still feeling their way around.

"This is the first year we co-packed for bottlers," says Reed.

Bottlers looking to the aseptic market to increase sales volume have essentially four alternatives: purchasing the equipment and developing their own product; developing their own product and having it co-packed; entering into an agreement with an aseptic co-operative; or, acquiring a franchise of a product already in the market. Which is the best method is debatable; all methods can be successful.

Reed says that using Power Packaging offers the opportunity for the bottler to conserve his capital and resources while concentrating on marketing his product. We can also provide purchasing of all ingredients and materials, and even delivery of finished goods," says Reed, whose firm has eight aseptic lines in two facilities in Ohio and Wisconsin.

He says Power Packaging can currently get a new customer into the marketplace within the lead time of packaging material, now approximately 12-16 weeks.

In a recent interview, John Sherman, president, Sun-Rise, Inc., told **Beverage Industry** it's a bit premature to talk about sales of the product, which was introduced in April. Sun-Rise, like other aseptic products distributed by bottlers, has entered the cold box market in the six midwestern states that it's distributed.

Sun-Rise has opted for Dixie-Narco for its aseptic vending program.

Orchard Sun, a 10% fruit juice drink, debuted in the Chicago area in August and Pepsi General reports it's too early to talk about sales success. (See related story.)

Bottlers like Louisiana Coke (Squeeze) and Mid-South Bottling (Rainbow Farm) have opted to purchase their own equipment and, in fact, compete in overlapping markets in the South.

MSB's Rainbow Farm, basically concentrated in the

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Southeast, is now in 10 states—Texas, Louisiana, Arkansas, Mississippi, Tennessee, Alabama, Georgia, Florida and North and South Carolina.

In some cases, MSB has used food brokers. "The ability to get with a good bottling system just wasn't there. We really didn't have that many options," says T. Michael Barclay, executive vp.

"Ninety-nine percent of the juices out there today are distributed through a broker system. You lose out on hands-on merchandising, but you win because brokers are generally stronger with the chains."

juice
concentrate
REAL FRESH
orange juice
100% pu
concen

Continental reports research shows adults prefer the shape of its aseptic package.

The bottlers that have joined on with MSB, though, are only distributing; none have purchased an aseptic machine, but that could eventually change, Barclay says.

In addition, Barclay says it's no secret MSB has plans to expand its line from 100% grape, apple, orange and a punch blend in 250-ml packages. "We've been looking at ice tea, an isotonic and fruit drinks," he says.

Sunglo Cooperative, Inc., Holland, MI, has established an independent bottler cooperative for the Sunglo line of juices and fruit drinks.

The line includes apple, grape, grapefruit and orange in 100% juice; and apple, grape, orange and fruit punch in 10% fruit drinks. Sunglo also offers a shelf-stable 100% unfrozen orange juice concentrate made by a patent-pending process.

Bottlers can also go the franchise route. A&W is said to be offering the first nationally recognized brand name exclusively to bottlers with the introduction of its Dole Whole Fruit Cooler. It's a 25% juice drink in five flavors—pineapple, orange, grape, apple and mixed fruit.

Westinghouse Group in Southern California began test marketing the product in September. Westinghouse has purchased a Brik Pak machine and is packaging the product in the 250-ml size for single service and three-packs.

"We're optimistic," says Mike Weinstein, A&W vp-marketing. "The reception has been excellent."

The product will be marketed by A&W under a Dole license. Dole is a wholly owned subsidiary of Castle & Cooke and Castle & Cooke has equity in A&W's soft drink operations.

"The Dole name brings a lot of equity to the product," says Weinstein. A&W will be exhibiting its Dole Whole Fruit Coolers at Interbev.

A little over 10% of Del Monte's Hawaiian Punch is now distributed through franchised bottlers, but the product is still overwhelmingly distributed through warehouse by Del Monte.

Last December, Del Monte proclaimed Hawaiian Punch to be the first national beverage product packaged aseptically to be sold by soft drink bottlers.

"About half of total beverage sales take place outside of the grocery chain stores," says Alan Feagin, director of soft drink operations for Del Monte. "In addition to allowing the bottlers to profit from the booming popularity of these new cartons, this program will increase sales of Hawaiian Punch for on-premise consumption.

Four flavors of Hawaiian Punch are available—Fruit Juicy Red, Tropical Fruit, Island Fruit Cocktail and Wild Fruit. Previously, only Fruit Juicy Red had been sold through the Hawaiian Punch soft drink program.

Hawaiian Punch is packaged in 250-ml Combibloc packages.

**Package size**

Package size has continued to be a debatable consideration among those that have entered the market. While the 250-ml size carries the overwhelming share of the market, many consider it to be a sampler size and expect larger sizes to proliferate as the aseptic segment matures.

Sun Rise is one such group. "We didn't want to be a 'me-too drink,'" says Sherman. "We didn't want the drink to be like the other aseptic products in the market. That's why we chose the 300-ml size...We wanted to be different.

Sun Rise is a 15% juice drink offered in four flavors—fruit punch, grape, orange and apple. It's available to Coke bottlers in six midwestern states, including Tennessee,

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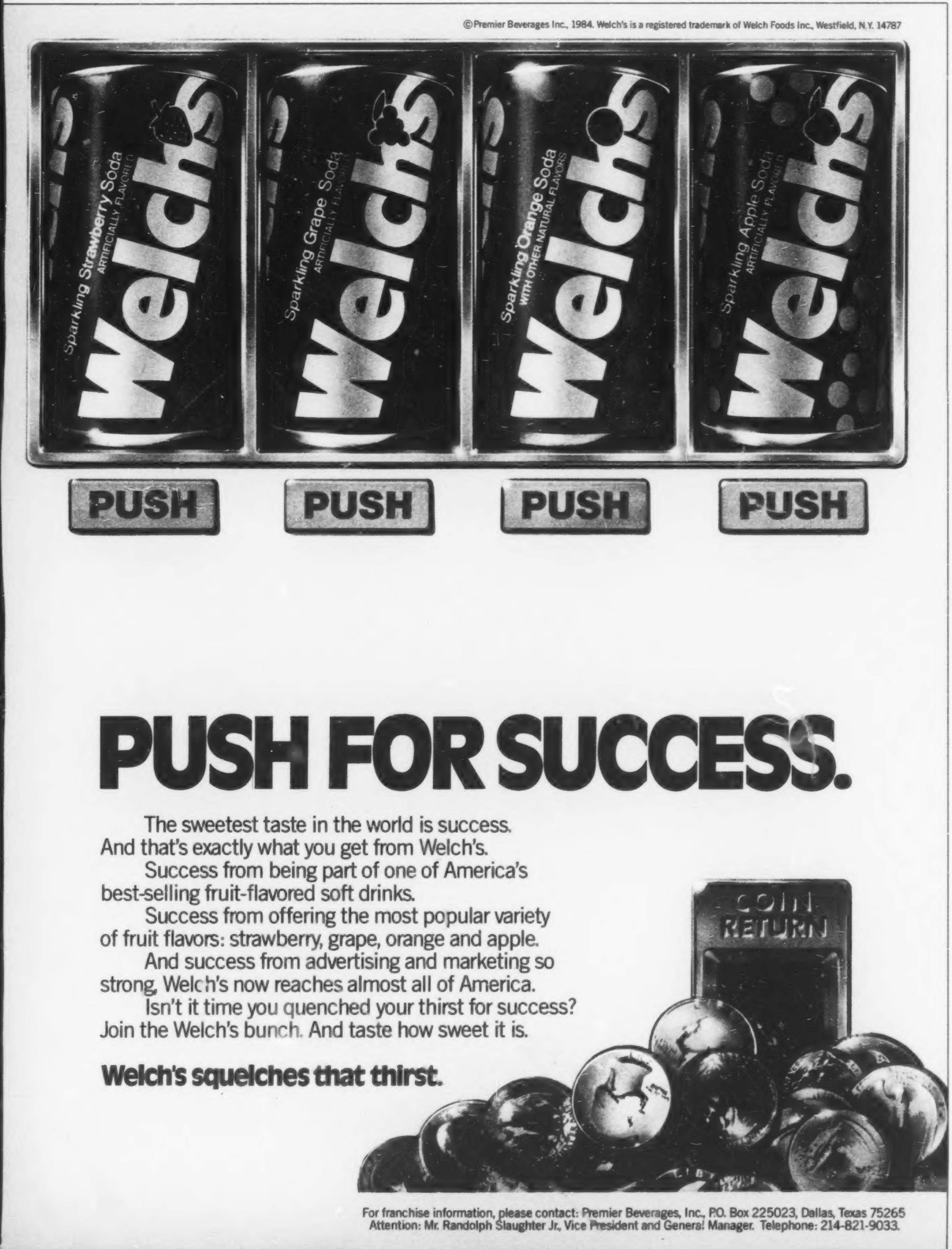

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Minnesota, Kentucky, Wisconsin, North Dakota and Indiana.

Four equipment manufacturers are responsible for the aseptic installations in this country, but two stand out with the lion's share of the business. Both Combibloc and Brik Pak are dominant, while Continental Can Co. and International Paper Co. are newer entrants in the aseptic market.

Continental's Conoffast system thermoforms, fills, labels, heat seals and multipacks rigid packages. Real Fresh, a California juice-producer, has bought a machine.

Charles B. Price, manager of sales, says a new machine, Model RK4, is being built now that will increase production capacity by 45% by increasing the web width.

Price says research shows the Conoffast package has more adult appeal than the bricks.

In 1985, he says there will be an improvement in the caliber of laminate so that oxygen-sensitive products will have a true shelf life of six months or longer. "Right now, the bricks can't deliver it (six month shelf life) even though they stamp it for six months," he says.

He adds that he envisions a 2-4% annual growth in aseptics, but a reduction in the "belly wash" or juice drinks with 10% or less juice. "The growth will be in the upscale products."

Continental reports a recent institutional study revealed that the containers were perceived as attractive, high-quality, durable, easy to open and handle. Many respondents indicated the inclusion of a straw would be an enhancement, and Continental is researching this for future juice packages.

International Paper Co. uses a web-fed roll of container material and operates on the principal of a vertical form/fill/seal operation. Recently, White Rock entered the market with an aseptic juice product using the International Paper machine.

The company reports it will be installing additional 250-ml aseptic systems at Real Fresh later this year. It also anticipates installation of additional systems at co-packers around the country.

"Discussions are underway with several soft drink bottlers regarding their interest in I.P.'s aseptic packages. We expect these discussions to be concluded shortly," says Darrel D. Ahlberg, I.P. spokesman.

"The soft drink industry is indeed the logical source for increased aseptic product volume due to the unique market they serve and to their unique distribution system," he adds.

• For more information on **MSB's Rainbow Farm**, circle no. 323 on the reader service card; on **Refreshment Enterprises' Sqeeze**, circle no. 324; on **Squirt's Sunglo**, circle no. 325; on **A&W's Dole**, circle no. 326; on **Pepsi General's Orchard Sun**, circle no. 327; on **Sun-Rise, Inc.**, circle no. 328; on **Del Monte's Hawaiian Punch**, circle no. 329; on **Power Packaging**, circle no. 330; on **Continental's Conoffast**, circle no. 331; on **Combibloc**, circle no. 332; on **Brik Pak**, circle no. 333; on **International Paper**, circle no. 334. ☐

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Roughly 10% of Hawaiian Punch is now distributed through soft drink bottlers, Del Monte.

# Ferro buys back C & C; predicts double growth

**Elizabeth, NJ**—Charles Ferro has bought back C & C Cola for an undisclosed amount, and predicts that sales will double in his first year.

Charles P. Ferro

Ferro originally owned C & C from 1968 to 1976. During that period, he claims the cola had 14.7% of the New York market. It was the third largest selling cola in markets in which it was distributed, he says. In conjunction with the sale of C & C Cola to ITT for $13 million, Ferro became president of ITT's soft drink division; and in 1977, his first year there, he tripled C & C's 1976 sales.

In 1982, ITT sold C & C to Shasta where sales were "poor" and in '83, Ferro called Shasta and asked "if they were interested in divesting themselves of the company."

Ferro attributes the success of his sales to his delivery system which uses large trailers delivering direct to supermarket warehouses, who in turn, distribute C & C to the supermarkets. Ferro remarked, "Warehouse distribution saves us a lot of money per case, about $2 less than the major brands."

Noting the downside of this system, Ferro remarked, "It does have its disadvantages as far as shelf space and (missing) smaller outlets. The advantage is you're not paying a middleman. The difference of the middleman is passed on to the consumer."

C & C Cola retails at approximately 99 cents for a six-pack and 79 cents for 2-L PET.

Ferro is getting back to basics and plans to use the packaging and strategies from his original ownership days.

"The most important thing," remarked Ferro, "is that we're going back to our original formula."

After running C & C Cola for ITT, Ferro purchased Yoo-Hoo Beverages in 1981 for about $5 million from Iroquois Brands. He is president and CEO for Yoo-Hoo, but remarked that his son now runs Yoo-Hoo.

• For more information on **C & C Cola**, circle no. 335 on the reader service card. ☐

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are limited invoice controls, drivers-salesmen will sell the extra product to the cash customer, but will not issue an invoice, or will issue an invoice but does not turn it in to the bottler.

The settlement sheet will balance. If cash customers pay in checks, they may ask another driver-salesman, who has a large cash route, to give cash for the check, which can be turned in with his deposit. The settlement sheets will balance.

If there is insufficient cash available, and there are full-service machines on the route, a driver-salesman can empty the cash from the full service machines, fill them with the acquired product, and do not turn in the invoices, or turn them in blank or with less than the amount used for the fill. The settlement sheet will balance.

To protect against such actions, bottlers should be sure that the proper security controls are in place at their bottling plant.

Among the other admissions and confessions given to security people covering the beverage industry was a driver-salesman who boasted that he "earned" an extra $10,000 in one year by stealing from customers, and another driver-salesman who boasted that he "earned" about $150 per week by stealing from his retail grocery accounts. One driver-salesman hired an unauthorized helper, and paid the helper with the monies obtained by stealing from customers. □

> ***After obtaining the extra product or empties, the driver-salesman must convert his ill gotten gain into cash...this problem is not too difficult for the driver-salesman to solve.***

**Soft drink sodium levels**
(per 6-oz. serving)

| Type | Added Sodium (mg) | Estimated Total Sodium |
|---|---|---|
| Cola and Pepper | 0 - 1.3 | 3.0 - 16.8 |
| Diet Cola or Pepper | 15.0 - 31.2 | 18.0 - 34.2 |
| Lemon-Lime Flavor | 7.8 - 27.6 | 10.8 - 30.6 |
| Diet Lemon-Lime Flavor | 18.0 - 47.4 | 21.0 - 50.4 |
| Root Beer | 1.8 - 30.6 | 4.8 - 33.6 |
| Diet Root Beer | 19.8 - 51.0 | 22.8 - 54.0 |
| Fruit Flavors | 6.6 - 24.6 | 9.6 - 27.6 |
| Ginger Ale | 0 - 13.2 | 3.0 - 16.2 |
| Club Soda | 0 - 48.6 | 3.0 - 51.6 |
| Tonic Water | 0 - 4.8 | 3.0 - 7.8 |
| Other Diet Flavors | 6.6 - 45.0 | 9.6 - 48.0 |

Source: Miles Laboratories

Copyright: **Beverage Industry** November 1984

# Study says SDs no big salt source

ELKHART, IN—The use of citrate salts in soft drinks and the controversy surrounding the role sodium plays in contributing to hypertension has been studied by the Biotech Products Division of Miles Laboratories.

The study points out soft drinks are not a significant source of sodium in American diets and lists the sodium level in various types of soft drinks. Diet root beer ranks highest in sodium content, with 22.8 to 54.0 mg of sodium per six-fluid oz. Diet lemon-lime flavors are a strong second with an estimated 21.0 to 50.4 mg, followed by diet cola or pepper drinks with 18.0 to 34.2 mg per six-fluid oz. Diet beverages contain higher levels of sodium than similar flavors produced with sugar because of sodium saccharin used as a sweetener, the study says.

The Miles study recommends formulating these beverages to utilize aspartame as a partial replacement for sodium saccharin to reduce sodium content. Diet soft drinks often contain sodium benzoate as a preservative, another source of sodium.

The study suggests using potassium citrate as a partial or full replacement for sodium citrate. The taste of potassium is not foreign to soft drinks; citrus products used in soft drinks contain varying levels of potassium, notes the Miles report.

Yet, it adds, sensory evaluations should be conducted to determine if the change in the soft drink formulation has an accompanying change in flavor.

To receive the Miles *Citrate Salts in Soft Drinks* brochure, contact the **Biotech Products Division of Miles Laboratories, Inc.**, P.O. Box 932, Elkhart, IN, 46515-0932. □

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- Krones Solomatic Labeler. 12-60,000 BPH. 1974.
- Crown Uni-Blend 40-Valve Flat Top Can Filler With Continental Can 490-HCM Closing Machine.
- Barry Wehmiller Bottle Washer, 36 Wide, 8 Soak Tanks. 36 Cycles/Min., 6.5 Oz. to 1 Liter. High Speed. Contact Miami office-File FS34.
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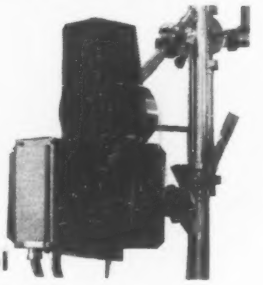

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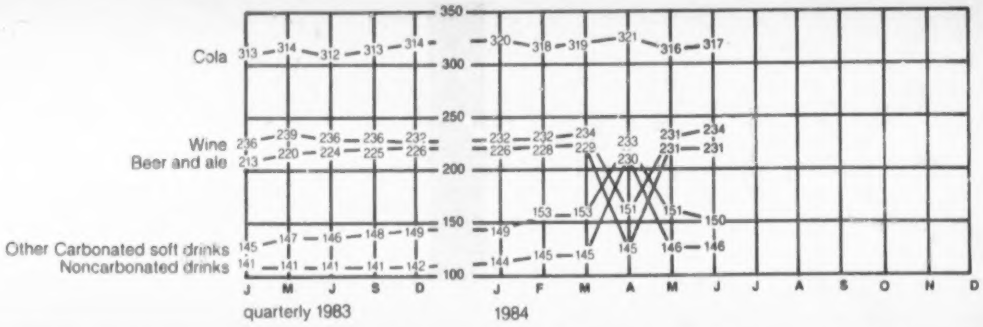
# Beverage Business Indicators*

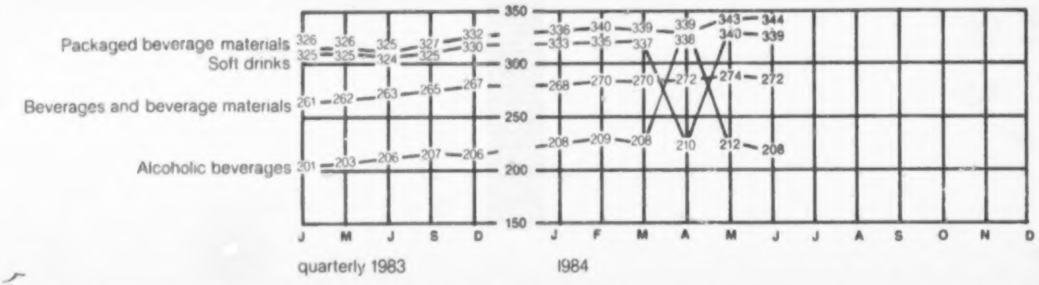
## 1984 CONSUMER PRICE INDEX

(1967 = 100)



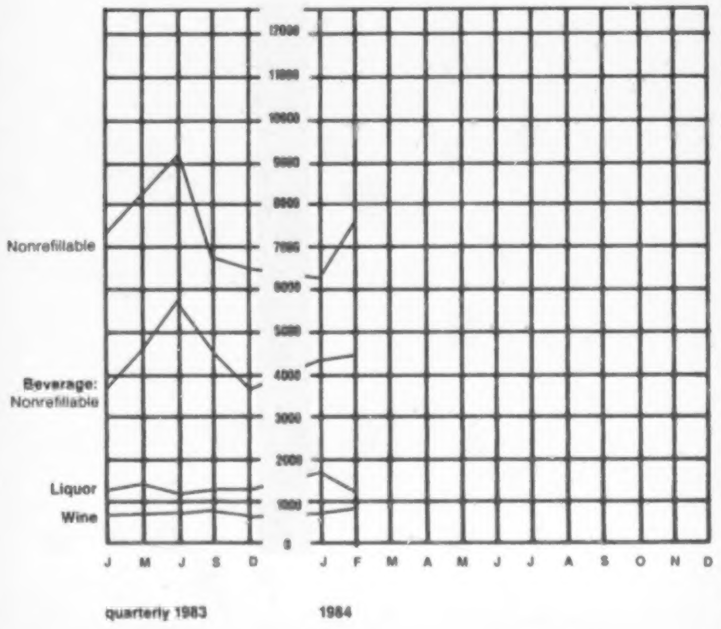
## 1984 PRODUCER PRICE INDEX

(1967 = 100)



## BOTTLE SHIPMENTS

(thousands of gross)



## ALCOHOLIC BEVERAGE REMOVALS

(barrels of 31 gals)

| | March 1984 | April 1984 | % Change | April 1983 | Apr. '83 vs. Apr. '84 % Change |
|---|---|---|---|---|---|
| Beer | 15,576,266 | 15,100,669 | (3.1) | 15,714,721 | (3.9) |
| Wine* | 33,096,899 | 33,836,333 | 2.2 | 33,697,364 | 0.4 |
| Spirits* | 29,077,188 | 28,463,102 | (2.1) | 27,379,561 | 4.0 |

*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

## IMPORTED BEVERAGES

(proof gals)

| | April 1984 | May 1984 | % Change | May 1983 | May '83 vs. May '84 % Change |
|---|---|---|---|---|---|
| Beer* | 18,523,001 | 16,543,262 | (10.7) | 17,043,442 | (2.9) |
| Whiskey | 7,796,132 | 5,339,901 | (31.5) | 4,830,627 | 10.5 |
| Brandy | 577,622 | 376,906 | (34.7) | 468,237 | (19.5) |
| Gin | 424,380 | 451,209 | 6.3 | 495,537 | (8.9) |
| Rum | 76,958 | | | 91,123 | |
| Cordials & liqueurs | 1,054,274 | 576,177 | (45.3) | 562,079 | 2.5 |
| Others | 1,170,349 | 828,361 | (29.2) | 652,130 | 27.0 |
| Total | 29,622,716 | 28,414,602 | (4.1) | 24,143,176 | 17.7 |
| Sparkling wines | 1,015,129 | 1,005,740 | (0.9) | 720,686 | 39.6 |
| Still wines, table | 9,903,383 | 8,891,462 | (10.2) | 8,662,127 | 2.8 |
| Still wines, fortified | 244,814 | 174,124 | (28.9) | 180,056 | (3.3) |
| Vermouth | 283,265 | 204,591 | (27.8) | 275,093 | (25.6) |

*Includes ale, stout, porter

Source: National Association of Beverage Importers

## CLOSURES FOR BEVERAGES

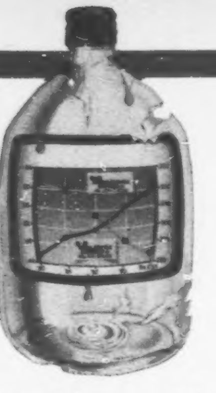
(thousands of gross)

| | February 1984 | March 1984 | % Change | March 1983 | Mar. '83 vs. Mar. '84 % Change |
|---|---|---|---|---|---|
| Metal (for spirits, wines)* | 80,781 | 79,470 | (1.6) | 53,820 | 47.7 |
| Plastic (for spirits, wines)* | 102,206 | 106,166 | 3.9 | 118,662 | (10.7) |
| Metal Crowns (beer & soft drinks) | 9,999 | 16,493 | 64.9 | 17,484 | (5.7) |
| Soft drink (convenience and conventional) | 4,751 | 4,909 | 3.3 | 6,737 | (27.1) |
| Beer (convenience and conventional) | 5,248 | 11,584 | 120.7 | 10,747 | 7.8 |
| All other metal closures other than crowns | 6,296 | 7,664 | 21.7 | 8,979 | (14.6) |

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

*Compiled by Market Data Communications (MDC) for Beverage Industry



*(Continued from page 24)*

manufacture, which is becoming more and more a practicality. I don't think that if a bottler has to buy it, there will ever be much of a threat from that package," he adds.

"I don't think there is any question about the fact that we have the package to fight them," stresses CGC's Wright. "We have just recently gone through a revision to further light weight the 16-oz. package.

"We do not intend to give up on the 10-oz. and 16-oz. segment because there is no need to. We're keeping those prices down to make it tough for the .5-L. How many packages can the plastic industry subsidize, anyhow?"

"We have an advantage at that size," adds Brockway's Coakley. "That bottle is not perceived as a great package either by the consumer or the parent firms."

### Recycling

Privately, this is one area the glass industry feels it has slighted. A marketing executive with a major firm told **BI**:

"This is another one of those areas that the glass industry buried its head and didn't do anything but pay a lot of lip service and that's all.

"On the other hand, the aluminum industry went out and invested money and set up recycling centers. By offering a penny a can, they made it interesting to bring those cans back."

"I think the perception of what the industry is doing is poor," adds another executive. "We have not orchestrated it as effectively as the competition. I also would suggest that the industry has not done as much as it should."

One of Brockway's Coakley's recent decisions has upped the potential percentage of cullet used in glass manufacture to 50%. "The problem is the system is not geared to provide sufficient glass to the glass manufacturer."

The solution one executive sees is continued development of the third party recycling network.

Commenting on the success of aluminum, he adds, "...at one time glass was considered a more ecological package, but the aluminum industry with its massive communications effort has changed that."

In the absence of an overall industry program, O-I, for one has taken the lead in its markets by sponsoring and erecting "theme" recycling programs. Both Garton and Pietsch agree that it is a serious industry problem, but it is also one which faces serious funding problems.

"The industry is declining and although recycling would help us, the return is so small that it can't be justified," stresses Garton. "For those of us who intend to be in the business in the future, we will continue to stress recycling and will continue to make gains in this area."

Although cullet does not have the intrinsic value of aluminum, it does have value to bottle production. Utilization of the material makes it possible to lower tank temperatures and therefore increase the unit's active life.

**Glass container industry**

| As Of: | Plants | Tanks | Feeders |
|---|---|---|---|
| 1/1/80 | 120 | 299 | 1,036 |
| 1/1/81 | 114 | 276 | 929 |
| 1/1/82 | 110 | 270 | 878 |
| 1/1/83 | 107 | 267 | 863 |
| 1/1/84 | 105 | 243 | 788 |
| 1/1/85 EST | 99 | 232 | 755 |

Copyright: **Beverage Industry** November 1984

The other major problem is that the material is heavy and transportation costs are high. There are very few glass plants near major market centers where the packages are distributed. As the number of plants producing glass declines, this problem will intensify.

### The future

From conversations with the glass executives, it is evident that change will continue to affect the business.

There will be more mergers and as a result firms will go out of business. With a declining amount of business one way to retain market share is to buy it.

Mergers also mean that more plants will be closed due to duplication of facilities.

Container General will probably be involved. In the past, the firm has been aggressive in this area and can be expected to continue.

The firm is in negotiation with two other firms at the present time and annoucements could come shortly. As the name indicates, the firm intends to become a container supplier and can be expected to diversify out of glass bottles. In the past the firm was in negotiation with a major supplier of PET bottles.

Anchor can also be expected to increase its holding. Fairly well situated in the Midwest, East and South, Anchor needs production on the West Coast and makes no secret of it.

"It's obvious that there are going to be a lot fewer glass companies in five years," comments Anchor's Naimoli. "I think its going to be a niche type market where the survivors will be far more profitable than they are today because demand and supply will be at a much better balance."

Privately, executives estimate that the industry will be down to four or five major national producers shortly. There will continue to be small firms, because they fill a particular geographical fit.

Plants will continue to be closed and capacity will come more in line with demand. Under normal circumstances, that should stabilize prices and eliminate discounting.

Anchor sees this happening shortly. In certain parts of the country, primarily the Northeast and North Central areas, glass supplies were virtually bought out, according to Naimoli. He also says that a similar situation existed in can manufacturing.

"In 1985 if there is a normal market and similar or better weather, there is going to be a tremendous shortage," he stresses.

Glass companies expect to get a 2-3% price increase next year. However, industry analysts feel this is optimistic.

At the GPI meeting this year, Palm had this to say on pricing:

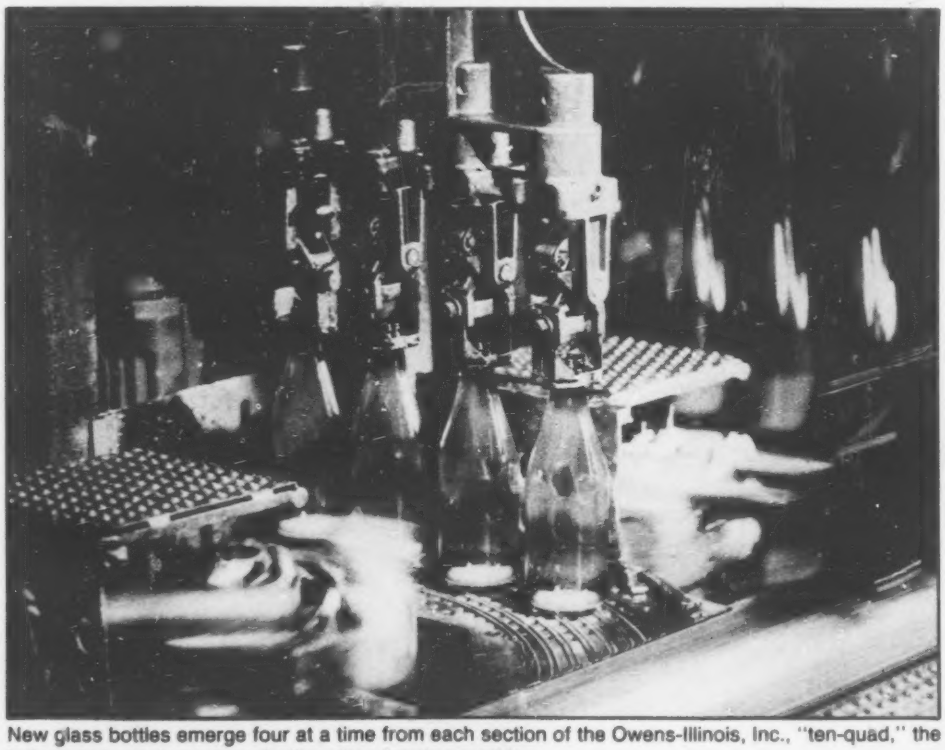
"I disagree with those in the industry who think that prices can be raised aggressively. That was tried in the last two years and didn't work. The customer realizes that there is overcapacity. I estimate that price realizations for all of 1984 will be up only slightly—say 1%—over last year.

"Costs per unit of output will be up only 2% in 1985 and in my opinion, it is foolish to try to get the customer to pay more than that when he knows capacity remains excessive and that costs are rising slowly."

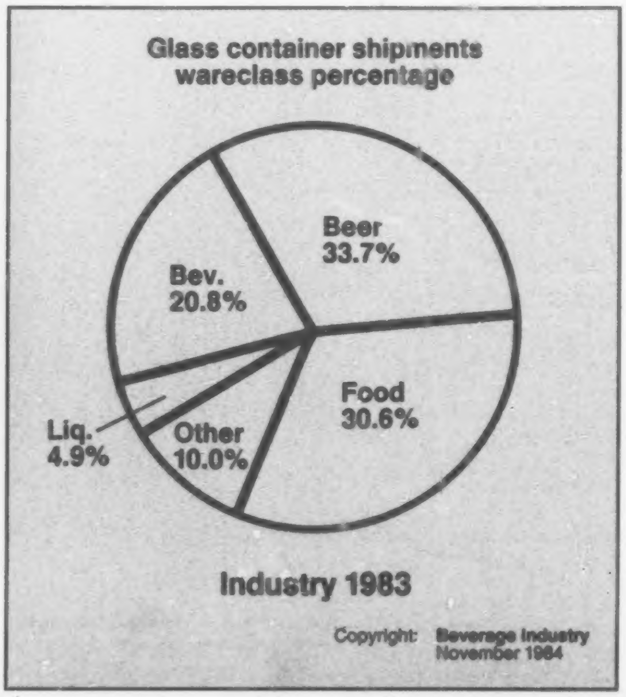
In addition to pricing, other factors are coming into the purchasing decision. The more sophisticated buyers are asking more and more questions.

Comments CGC's Wright: "They're looking and they're asking questions. Those firms which dedicated funds to rebuilding a glass tank or buying new machines are the ones which are going to be around for a while and the customer knows it.

Coakley, however, says quality is also very important to the beverage customers. "Customers are also interested in how much you're investing in quality control and delivering a dependable package." ☐



New glass bottles emerge four at a time from each section of the Owens-Illinois, Inc., "ten-quad," the industry's largest, most productive glass forming machine.



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SOFT DRINKS BEER BOTTLED WATER WINE POWDERS JUICES SPIRITS ■ MARKETING DISTRIBUTION TECHNOLOGY

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## Higher prices, tighter supply for fructose

**News Analysis**—No surprises here. Most insiders feel the move by PepsiCo Inc. and Coca-Cola Co. to 100% approval levels of HFCS will tighten up supply and raise prices slightly.

The cola giants announced the move at back to back press conferences in early November as did Royal Crown Cola, and since then HFCS suppliers have been ecstatic. The move will increase fructose demand about 1.2 billion lbs. annually, a supplier says.

"It won't be a supply problem until the third quarter of '85," says Thomas C. Jackson, national sales manager, American Maize. But Jackson emphasizes the industry can meet demand. He estimates the move by Coke and Pepsi will just about eat up all planned capacity expansions.

The industry had been beset by overcapacity, which weakened prices.

In many cases, prices won't be immediately affected because many bottlers have already contracted for supplies into '85 at guaranteed prices. But increases will come gradually through the year.

Says Jackson: "These are not really increases, though. Bookings were going below list price. Basically, what this has done is brought actual prices up to list."

Other soft drink manufacturers have had 100% HFCS approval levels for some time.

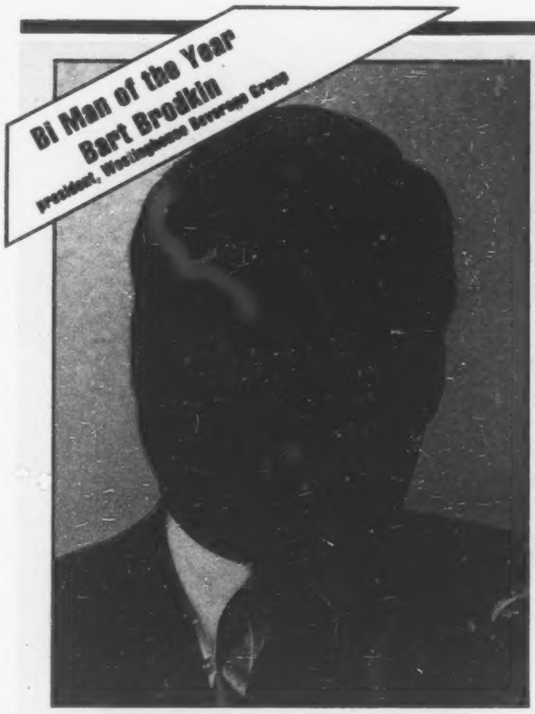
Seven-Up Co. approved 100% levels for Like in March and brand 7UP has used 100% since 1980. Dr Pepper has used 100% for some time. ☐

## BI Report

**■ THE REDEMPTION RATES of beer empties in New York reached 86% in the March-June period according to a survey of wholesalers by Long Island University. Wholesalers in the New York City metropolitan area did not participate, but researchers say several of those contacted indicated their rates were in excess of 83%.**

**■ COKE CONSOLIDATED has announced an agreement in principle to acquire Way**

*(Continued on page 58)*



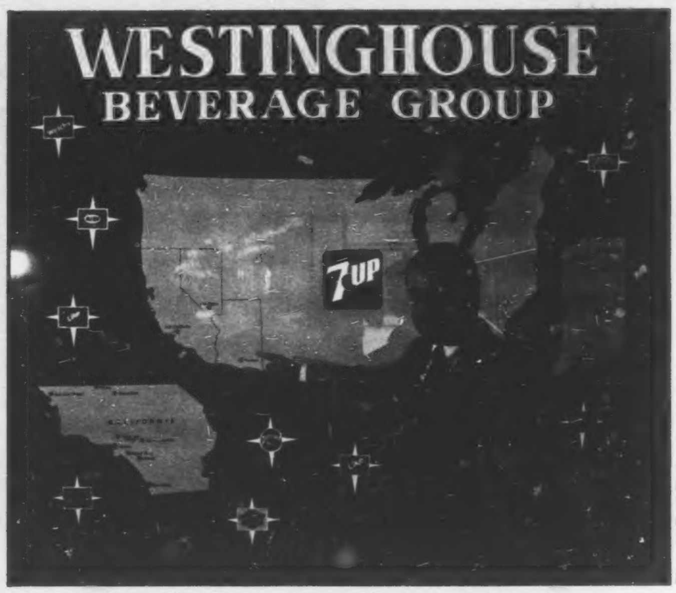


Photo by Scott Flynn

A man on the go, Brodkin heads a multistate operation with major holdings on the West Coast, almost the entire state of Indiana and the island of Puerto Rico.

# A West Coast dynamo cops honor

**by Paul E. Mullins**
**Editor**

**Vernon, CA** — Bart Brodkin, president of the Westinghouse Beverage Group which makes its headquarters here, is a human dynamo — a walking, talking, planning, operating dynamo.

He deals instantly with the problems that many soft drink executives like to "sleep on" and then he's on to the next project:

- selecting another product to fit into his firm's "liquid refreshment" business,
- reviewing the minutes from the morning's quality control meeting,
- analyzing a report on his firm's ongoing technological innovations,
- meeting with each of his chief executives to discuss yesterday's sales results or tomorrow's manpower needs,
- planning to meet next week's or next month's

*(Continued on page 10)*

# All stops are out in brand wars

**by Paul E. Mullins**
**Editor**

**News Analysis**—The war between Coca-Cola and Pepsi-Cola is being fought all out these days and on virtually every conceivable front: ingredients, advertising, technology, packaging and demographics.

Caught in the middle, other franchise brand marketers — cola and non-cola alike — are trying to hold on to market share with what amounts to sheer guts and hand holding.

Strategy statements from the two majors are detailed and specific in language, but they get down to one basic point: leadership in corporate share.

It is in the ingredient area where the most recent salvos have been heard.

In mid-October, Pepsi opened the fray announcing it was reformulating all of its low-calorie brands

*(Continued on page 39)*

## Will Pabst get backing?

**Analysis**—Regardless which firm eventually acquires Pabst Brewing Co., the question which wholesalers are asking is: "Will the brand get the financial support it needs to remain viable or to expand?"

Pabst is currently considering a formal offer from S&P Co., a holding company owned by Paul Kalmanovitz, which would pay $10 per share. G. Heileman Brewing Co. has also made an acquisition proposal, but no formal offer.

In either case, it's apparent that Pabst needs financial and advertising support if it wishes to survive.

"The real point is that Pabst can't do it alone," says Mike Bellas, president, Beverage Marketing Corp. "Sales are down significantly, and they don't have the efficiency, distribution or ad dollars to compete with national

*(Continued on page 39)*

## BI Now Package

Speas Farm
Apple & Cherry Juice
Apple Juice
Apple & Grape Juice

### *Tinted wrap boosts sales*

A juice producer has found a color-tinted shrink wrap for its aseptic multi-packs is boosting sales. The wrap was developed by the Flexible Packaging Div. of Reynolds Metals Co. See page 24 for details.

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# Sales up

## Rejuvenated Dr Pepper bounces back

**by Gary A. Hemphill**
**Managing Editor**

DALLAS—On the eve of its 100th birthday, Dr Pepper celebrated with its bottlers and unveiled a stepped-up marketing and advertising campaign for 1985 at its annual meeting here in October.

Bottlers learned sales increases this year will allow the company to beef up '85 advertising plans and other support programs. "A year ago, we introduced major new programs designed to refocus our efforts on what we do best—and that is to sell Dr Pepper the original way...In each and every case these programs are working. We have the numbers and you've got the sales figures to prove it," John Albers, president, Dr Pepper Co., told bottlers.

The flagship brand is reportedly up 10% to date and corporate is up 7%, he said. He, however, admitted that Sugar-Free Dr Pepper suffered a setback at the introduction of diet Coke. "After all, diet Coke carries the banner of their flagship brand. Diet Coke was launched with a flamboyant and expensive media campaign," he told bottlers.

"However, we anticipate...that Coca-Cola will not sustain the high introductory media spending levels over the long haul. And frankly, we are seeing some signs that the diet segment is beginning to stabilize."

But there was other good news. Bottlers heard from True Knowles, vp-fountain and food service, that fountain sales are up 15% for the first nine months of '84 compared to the industry average of 6%.

Top, Red Riding Hood encounters a wolfman in a new sugar free TV spot; center, comedian Rip Taylor touts the "100 Grand Sweepstakes" in another spot; at left, the 3-D Dr Pepper vender.

Because of that, media spending will be up 20% to $33.6 million next year. Plus new merchandising was shown.

"Last March, we increased our prices, but we promised you then that we would be reinvesting a major portion of that increase in support of our brands in all channels in 1985," explained Albers.

He pointed to the leveraged buyout by Forstmann Little as a major factor in the company's upturn. "We achieved the independence we desired, while maintaining the experienced central core of a management and marketing team that is vital to the continuity and continued success of the company."

Robert C. Hamlin, vp-marketing, told bottlers that the "Hold out for the out of the ordinary" advertising worked in 1984. "The theme...-generated some of the

(Continued on page 21)

# Eastman expanding PET production

COLUMBIA, SC—Eastman Chemicals Div., Eastman Kodak Co., has begun construction of a 200 million pound per year expansion of its Carolina Eastman Co. Kodapak PET bottle polymer production facility.

The addition will bring the company's capacity for bottle polymer production to some 600 million pounds a year upon completion in late 1986.

Once complete, Eastman Chemicals will have two manufacturing plants with equal capacity to produce polyester bottle polymer and other polyester plastics, the second being in Kingsport, TN, operated by Tennessee Eastman Co.

The company also plans to undertake a 100 million pound per year expansion in Kodel polyester staple fiber production capacity at its Columbia, SC, plant. ☐

# Study: Industry to reach 5.13 bil. cases by 1993

NEW YORK—A new report predicts that sales of all bottled and canned soft drinks, led by the diet and caffeine-free segments, will expand at an average annual rate of 3.7%, reaching 5.13 billion cases by 1993.

The study, compiled by Business Trend Analysts, indicates changing demographics are responsible for a softening of the soft drink market. The decline in the birth rate in the 1960s and 1970s has resulted in a smaller 13-24 year old age group, the major soft drink market, the report shows.

But the introduction of low-calorie and caffeine-free beverages is expanding the market and should continue to do so by appealing to an older population, according to the report.

Last year, sales of bottled and canned low-calorie soft drinks reached $2.4 billion—almost 20% of the market.

In the past five years, sales of these products have grown at an average annual rate of 10.7%, outpacing the rest of the industry. Total industry sales in 1983 were $14.8 billion, the study indicates.

Additionally, sales have been spurred by introductions by virtually every cola manu-

(Continued on page 58)

**Packaged soft drink sales**

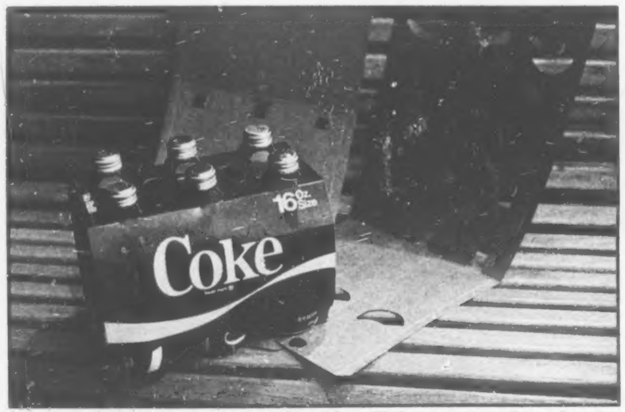
(Quantity in million cases)

| Year | Total Sales | Annual % Change |
|---|---|---|
| 1967 | 1,759.9 | — |
| 1972 | 2,222.7 | 4.8%* |
| 1977 | 2,752.9 | 4.4 * |
| 1982 | 3,448.4 | 2.7 |
| 1983 | 3,569.1 | 3.5 |
| 1984E | 3,711.9 | 4.0 |
| 1993P | 5,132.7 | 3.7 |

E-Estimate P-Projection
*-Compound Annual Rate Of Growth

Source: U.S. Department of Commerce; Business Trend Analysts

Copyright: Beverage Industry December 1984



A series of plastic strips strengthen Manville's new paperboard wrap, which makes for a cost savings.

# New Manville wrap boasts 20% savings

WEST MONROE, LA—Manville Forest Products has introduced a new lightweight paperboard wrap which promises savings of up to 20% over similar wraps on the market.

Dubbed the Marksman II, the new pack is constructed of 16 pt. board vs. the regular 25 pt. Performance of the package, however, is not reduced.

A series of plastic strips which have been applied to the underside of the blank strengthen the package. Each strip is strategically placed so that it supports key areas of the package.

Further strengthening is supplied by a strip of pre-applied, heat-activated

(Continued on page 40)

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Product innovations, equipment introductions and industry trends are highlighted in **BI's** coverage of the beer wholesalers' convention.

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Jeff Schussler, president of Syfo Water Co., gives insight into how the industry has handled consumers' demands for pure and natural beverages.

**24** **Aseptic drinks for kids**
Green Spot Packaging Co. is targeting the flourishing children's market with specially-designed aseptic fruit drinks.

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Miller Brewing Co. is testing new Plank Road Original, non-pasteurized draft beer in bottles, in six areas across the country.

**41** **Continuous inspection**
Sophisticated, in-line quality control monitoring systems are adding efficiency to high-speed processing lines while saving valuable inspection time.

**46** **Reusable cases prove profitable**
Pepsi-Cola Bottling Co. Annapolis demonstrates how the use of returnable cases for non-returnable containers can turn into packaging savings.

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# Soundoff

## On the outlook for domestic, imported beer sales

Our barrelage estimate for 1984, made in January, was for domestic barrelage to be a plus or minus .5%. At this point, a loss in sales is certainly more likely and we feel that the decrease will be between .5% and 1%. Our estimate for imports was up between 8% and 12% and the high side is much more likely, perhaps even higher than 12. If the domestic decline is .5% or less, then total industry sales could be a slight plus, if it is worse than .5% or less, then the combined total will be less than 1983. We feel in 1985, there will be a modest improvement and look for domestic sales to increase very slightly instead of being off, perhaps up .5% and imports to continue in the range of 8% to 12%.

**Philip C. Katz**
**sr. vp-research services div.**
**United States Brewers Assn.**

From a speech presented at the National Beer Wholesalers Assn. convention in Las Vegas in October.

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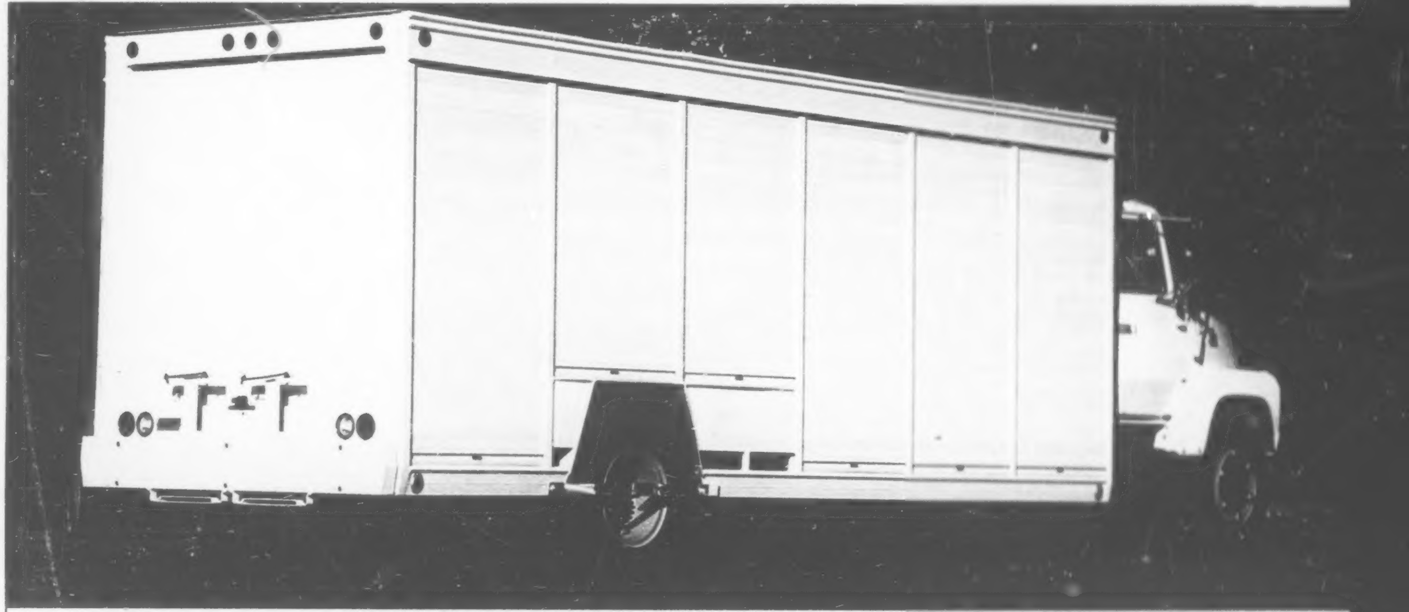


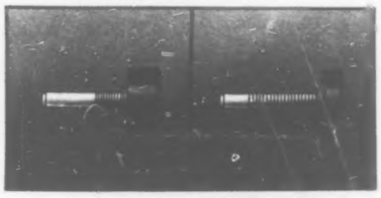
# Long-term, efficient design and durable construction make Hesse the uncommon leader as a route truck manufacturer.

*Fleet owners take notice as the new Hesse all-aluminum body can now perform as it offers features still unmatched in a me-too industry.*

New product features are part of the name of the game in maintaining one's lead in almost any business. Uncompromised quality in all you do keeps you near the top. At Hesse, the durability and quality are built in daily as we construct features that are designed to last. Features so durable, they are automatically covered by an unmatched 10 year warranty program.

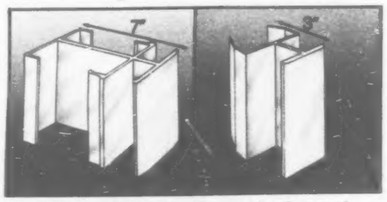
Hesse's all welded construction has caused competitors to rethink their current designs while still making mistakes such as mixing dissimilar metals and using alloys unfit for the destructive pounding given during daily operation. Let's face it, mechanical connectors and rivets just don't hack it!

The simple gliding of a door roller causes other body builders to wither while Hesse lasts. Door rollers by Hesse are made with state-of-the-art molybdenum impregnated nylon. Door rollers by Hesse offer up to two times the actual bearing surface than other competitive rollers.


*Hesse Door Roller* *Competitive Door Roller*

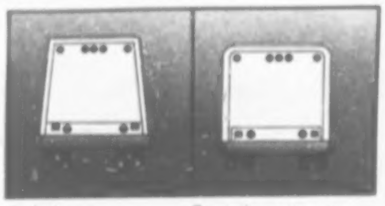
Door track by Hesse doesn't need a steel replacement track as the aluminum used in a Hesse door track is made of alloys meant to last, not wear thru. Hesse uses tempered aluminum alloys meant for beverage trucks not lawn furniture or soft beverage cans.

Only Hesse offers a full seven-inch-deep extruded door track. Others may advertise the "heaviest," while Hesse offers it on each and every unit at no additional cost to you.



*Hesse door track showing full 7" depth.* *Competitive door track showing only 3" depth.*

While a Hesse is unique in many ways, one that saves money is the tapered design. Because of a narrower roof profile Hesse offers a considerable reduction in wind resistance compared to "bulky box" builders who must round the corners just to keep up. Remember, its the frontal mass that eats the gas.


*Exclusive Hesse tapered design.* *Competitors attempt to improve wind slippage by rounding corners.*

New, improved, recessed lights or proven innovations, like our removable rear bumper, with its flat surface to spread impact and ease changing when it's damaged, are standard.

At Hesse we want to make it easy for you to benefit from the advantages of our new all-aluminum route trailers and truck bodies. With our inventory program we can offer immediate availability to anywhere in North America. (Lease or purchase.)

So, when you need to buy a top-quality beverage body. Use our toll free number (800) 821-5562.

**We want to show you how Hesse builds a better body.**

Hesse Corporation, 6700 St. John Avenue, Kansas City, Missouri 64125
. . . and now in Las Vegas and Montreal too!
(Toll Free Number 800-821-5562)

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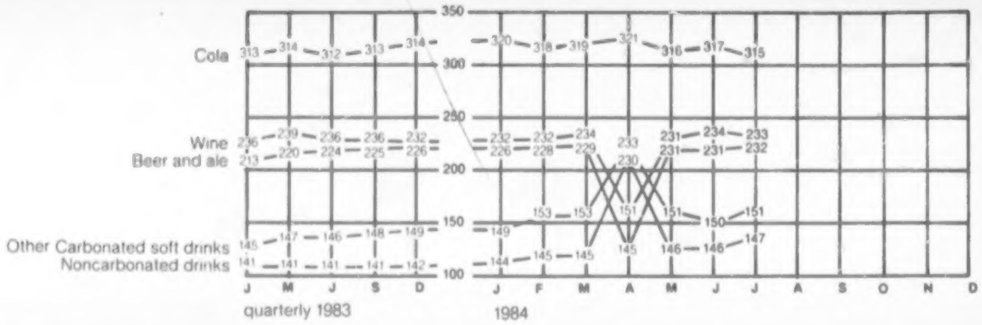
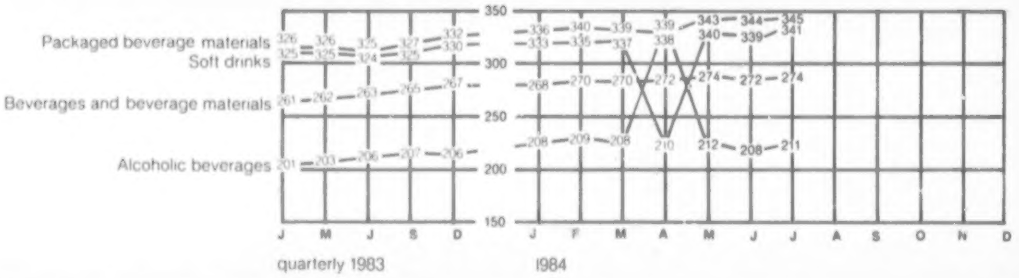
# Beverage Business Indicators*

## 1984 CONSUMER PRICE INDEX (1967 = 100)

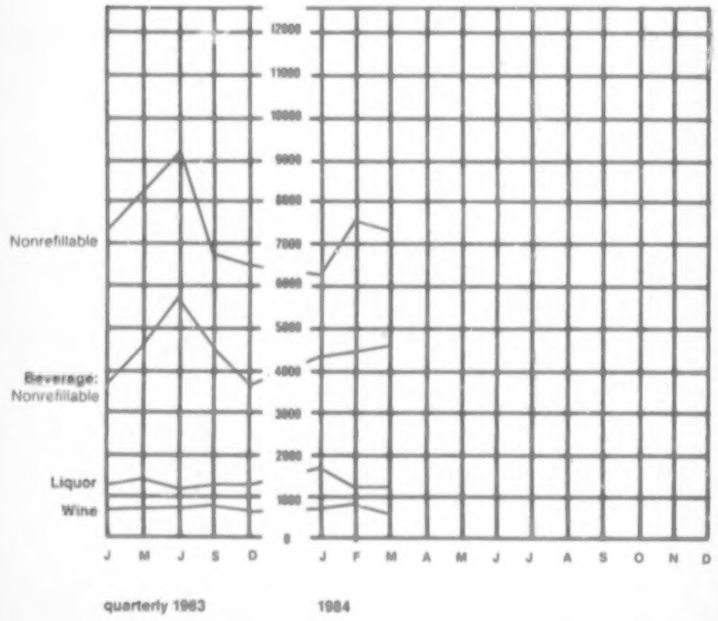


## 1984 PRODUCER PRICE INDEX (1967 = 100)



## BOTTLE SHIPMENTS

(thousands of gross)



## IMPORTED BEVERAGES

(proof gals)

| | May 1984 | June 1984 | % Change | June 1983 | June '83 vs. June '84 % Change |
|---|---|---|---|---|---|
| Beer* | 16,543,262 | 18,298,934 | 10.6 | 16,430,629 | 11.4 |
| Whiskey | 5,338,901 | 6,693,162 | 25.4 | 12,201,589 | (45.1) |
| Brandy | 376,906 | 368,847 | (2.1) | 526,653 | (30.0) |
| Gin | 451,209 | 438,600 | (2.8) | 529,830 | (17.2) |
| Rum | figure not available | 391,667 | NA | 89,562 | (337.3) |
| Cordials & liqueurs | 576,177 | 540,724 | (6.2) | 718,127 | (24.7) |
| Others | 828,361 | 954,026 | 15.2 | 1,359,658 | (29.8) |
| Total | 28,414,602 | 27,665,969 | (2.6) | 31,856,048 | (13.1) |
| Sparkling wines | 1,005,740 | 862,776 | (14.2) | 796,739 | 8.3 |
| Still wines, table | 8,891,482 | 8,964,664 | 0.8 | 10,095,973 | (11.2) |
| Still wines, fortified | 174,124 | 131,663 | (24.4) | 246,161 | (46.5) |
| Vermouth | 204,591 | 182,881 | (10.6) | 211,519 | (13.5) |

*Includes ale, stout, porter
Source: National Association of Beverage Importers

## ALCOHOLIC BEVERAGE REMOVALS

(barrels of 31 gals)

| | April 1984 | May 1984 | % Change | May 1983 | May '83 vs. May '84 % Change |
|---|---|---|---|---|---|
| Beer | 15,100,658 | 16,952,046 | 12.3 | 17,123,716 | (1.0) |
| Wine* | 33,836,333 | 32,319,612 | (4.5) | 35,210,896 | (8.2) |
| Spirits* | 28,468,102 | 29,747,822 | 4.5 | 31,151,321 | (4.5) |

*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

## CLOSURES FOR BEVERAGES

(thousands of gross)

| | March 1984 | April 1984 | % Change | April 1983 | April '83 vs. April '84 % Change |
|---|---|---|---|---|---|
| Metal (for spirits, wines)* | 79,470 | 83,183 | 4.7 | 73,005 | 13.9 |
| Plastic (for spirits, wines)* | 106,166 | 76,128 | (28.3) | 113,017 | (32.6) |
| Metal Crowns (beer & soft drinks) | 16,493 | 10,691 | (35.5) | 15,475 | (31.3) |
| Soft drink (convenience and conventional) | 4,909 | 4,476 | (8.8) | 6,481 | (30.9) |
| Beer (convenience and conventional) | 11,584 | 6,155 | (46.9) | 8,994 | (31.6) |
| All other metal closures other than crowns | 7,664 | 7,335 | (4.3) | 7,624 | (3.8) |

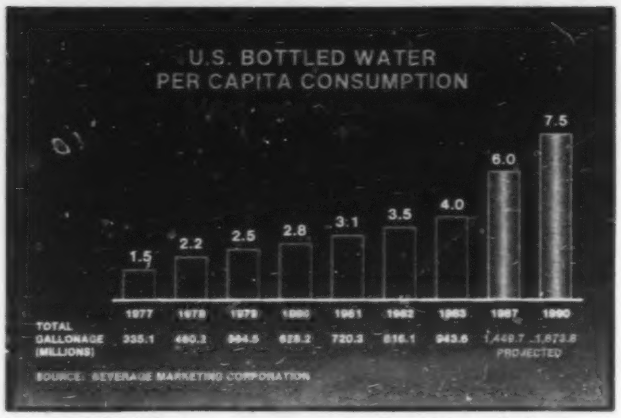
*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Compiled by Market Data Communications (MDC) for Beverage Industry

# Consumers feel less is best in SDs today

**by Jeffrey Schussler**
**president, Syfo Water Co.**



SOURCE: BEVERAGE MARKETING CORPORATION

Not too many years ago the most pressing problems facing soft drink bottlers were product package selection and transshipping. And, of course, maximizing shelf space and developing store promotions.

Today, it is a whole new game. No longer is cola the main player with a few allied flavors like orange, root beer and a couple of mixers. Now it is son of cola and son of son of cola.

Now we package and market sugar-free, caffeine-free, salt-free, saccharin-free and no artificial ingredients. This dramatic fragmentation is affecting our inventories, shelf space, budgets, market position and share. It is causing the most monumental and rapid changes our business has ever seen. We are asking ourselves: "What does the consumer want in a beverage? What are we selling?"

Those who address the problem are finding broad opportunities for new products and profits, along with increased market advantage.

The cause of all this shifting and churning of product characteristics is the changing attitudes of our evolving consumer of the '80s.

They want beverages they perceive as healthy, non-fattening, non-artificial, pure, without sugar, without saccharin, mineral-free, salt-free, caffeine-free. Today's health-conscious consumer wants less ingredients and the industry is meeting the consumers' demands by taking out the very things that made its products popular in the past. It's selling by exception and "claiming one product is better than another because of something it doesn't have."

Although soft drinks have continued to grow in per capita consumption, the growth has come through products that position themselves as not having something the consumer is concerned about.

Today, less is best. The purer, the better. Virtually all we talk about is what's not in our product. Ingredient removal is leading the industry back to its beginnings: water.

It is no secret that man's primary choice of liquid beverage has always been water. Through the years, the industry has enhanced it with sweeteners, flavors, colors, attractive packaging, carbonation, caffeine and preservatives. The industry has been designing water in ways most appealing to the consumers. Yesterday's consumers!

Today, products are returning to something close to their original ingredient: water, man's first choice.

Just as strong consumer demand has stimulated the movement of soft drink beverages to those perceived as pure, with no "harmful" ingredients, there is also an explosive growth in the consumption of bottled water products—for the same reasons.

The health-conscious consumer has rapidly developed a distrust for the city water pouring from his faucet. And well he should.

If drought does not cause salt intrusion in coastal areas, then it causes acquifers to fall from overuse of existing supplies.

There is significant industrial contamination, and consumers are just beginning to find out how bad it really is. There are some communities today that are just not allowed to drink their municipal water source because it has been found to contain chemicals such as dioxin or EDB.

These, of course, are the worst cases, but reflect the entire trend in the country toward mistrust of tap water. Many of the rest of the world's developed countries are already drinking bottled water.

In America, bottled water is positioned as a beverage, either sparkling (carbonated) or still (non-carbonated). It can be mineral and salt-free like Syfo, a 100% purified product, or it can have varying levels of mineral and salt content.

While sparkling water represents only 24% of today's bottled water sales, it's the fastest growing segment of the carbonated soft drink industry. Its growth rate is more than double that of the industry. New York is a good example, for what's happening there is happening in a growing number of places throughout the United States. In 1978, sparkling water was 8% of total carbonated soft drink sales. By 1982, only four years later, it was well over 14% of total volume. Sparkling water covers a broad demographic base and should become a five or six share of the business in the next few years nationally.

## Still water

Non-carbonated water, either with or without minerals, accounts for 76% of today's bottled water sales. And it is sold everywhere. Supermarkets now have entire "water sections," some nearly half as large as the total soft drink section.

BART BRODKIN
IS JUST THE SORT OF TONIC THE
BEVERAGE INDUSTRY NEEDS.

CONGRATULATIONS
TO THE BEVERAGE INDUSTRY
MAN OF THE YEAR.

SCHWEPPES
THE GREAT BRITISH BUBBLY.

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It is typically sold in one and 2½-gal. packages in these retail markets.

Eighty percent of all non-carbonated water gallonage is distributed in five and six-gal. bulk containers for water coolers and dispensers throughout the workplace and in the home. In the workplace, it accounts for the highest volume liquid consumption and is usually provided free to employees and customers.

Together, sparkling and non-sparkling bottled waters have become the fastest growing segment of liquid consumption. Average per capita consumption is now four gals., a 250% increase over 1977 levels.

By 1990, bottled water is projected to grow to 7.5 gals. per capita—five times the 1977 level. Annual increases have ranged from 11% up to 17% (not counting an increase of 43% in 1978).

By 1987, a 55% increase in volume over 1983 has been projected, with a doubling of 1983 volume by 1990. If bottled water is counted with soft drinks, it will be 12.5% of the soft drink business by 1990.

Soft drink bottlers should be in the bottled water business. It is essentially the same business: high volume liquid consumption distributed to the same customers soft drink bottlers are presently servicing.

Retail stores account for 40% of current bottled water sales, and are an important part of the store's beverage mix. Bottled water is often distributed from the store's warehouse on a limited delivery schedule.

**Bottler's advantage**

By adding bottled water products to their current product line, soft drink bottlers could claim an important boost in shelf space, cross merchandising and deal potential. They could also probably dominate the water displays because of the increased frequency of delivery by their established route system.

Work place locations account for another 30% of the bottled water sales volume, through coolers dispensing free water from five or six-gal. bottles to workers or customers in offices, shops, factories and commercial industrial locations—places where soft drink bottlers already have package goods and vending machine accounts.

These workplace locations are presently serviced by two-sources meeting their liquid refreshment needs: the soft drink bottler and the bottled water truck. Obviously, delivering both products from one truck makes eminent sense for soft drink bottlers.

An added bonus in commercial-industrial sales is the dispensing unit, the water cooler. Few businesses are as easily profitable as water cooler rentals: buy one for under $200, spend $50 selling and installing it, then earn $80 to $100 annually in rental during the 10 to 15-year life of the cooler. And take tax credit for fast depreciation. Coolers are warranted for five years and have a low maintenance cost. They represent additional dollars in bonus business for soft drink bottlers who expand into bottled water products.

Residential sales account for the final 30% of bottled water volume. It is the only area not already being serviced by soft drink bottlers. But it is coming.

With the advent of the new home beverage dispensing systems for soft drinks, soft drink bottlers will be looking for ways to get their syrups and dispensers into homes.

What better way to enter into residential locations than through a natural tie-in with pre-established bottled water routes—either on their own trucks or through independent distributors allied with them.

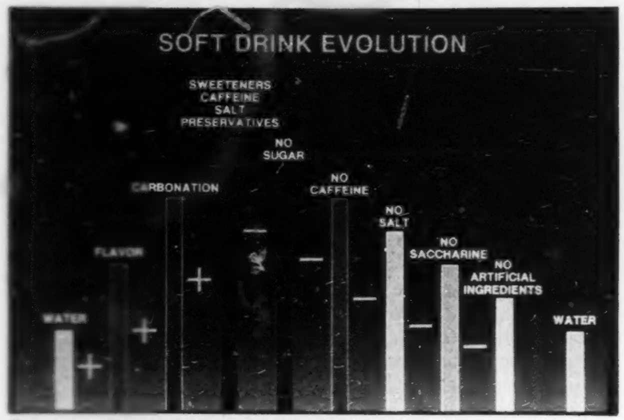
In Southern California, one of the most developed bottled water areas in the country, more than one in six homes have water delivered.

The largest bottled water company in Southern California, Arrowhead Puritas, was a subsidiary of Los Angeles Coca-Cola and both are part of Beatrice Food's beverage division.

(Incidentally, Beatrice through its ownership of a number of regional bottled water companies across the United States, has the country's largest position in the bottled water business.)

Here is the bottom line. Soft drink bottlers are in the packaged beverage business now. They are servicing retail, industrial and commercial market places. By adding bottled water to their product line, they can share in the profits of the fastest growing segment of the beverage industry, plus set up entrance into the potentially profitable residential home soft drink dispensing market.

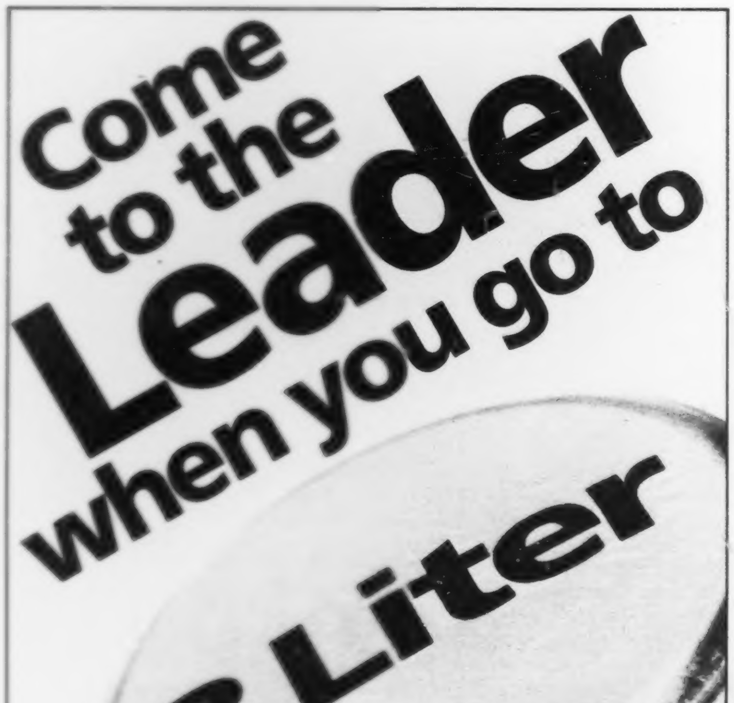
Bottled water is an integral part of soft drink consumption and soft drink bottlers should be in the bottled water business now. □



Schussler diagrams the evolution of soft drinks which he believes has come full circle, beginning with water and now returning to water. He points to the consumer as an explanation for this full circle swing and the consumer's belief today that "less is best." And he concludes: "Bottled water is an integral part of soft drink consumption and soft drink bottlers should be in the bottled water business now."

**About the author**

Jeffrey D. Schussler has a 20 year marketing and operations background in the soft drink and bottled water industries. He has broad experience in production management, distribution systems and marketing.
Since 1979, he has undertaken the integration of bottled water products into beverage distribution and production organizations. Under his leadership, Syfo has broadened into a full line, multi-regional frachiser of water products ranging from consumer packages of sparkling and non-sparkling water to bulk water delivery systems and equipment rental.
He is a graduate of the Wharton School at the University of Pennsylvania.



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*(Continued from page 1)*

cross-Douglas Coca-Cola Bottling Co., a privately-held firm located in Waycross, GA. Details were not released, but sources said they will probably involve a transfer of both cash and securities. The deal is expected to be closed by the end of the month. In 1983, Waycross-Douglas had sales of $4.7 million.

■ **CREPACO**, a major supplier of aseptic processing equipment has acquired APV Equipment, Buffalo, NY. and will merge under the name, APV-Crepaco. Both firms are wholly-owned subsidiaries of APV Holdings PLC, Crawley, United Kingdom.

■ **FDA** has granted the soft drink industry an extension on sodium labeling until July 1, 1986, one year longer than other industries. The extension had been requested by NSDA.

■ **LYNCH MACHINERY** has acquired the packaging and bottle washing machinery products plus parts of Vickers Miller Hydro, Bainbridge, GA. The firm's Vickers Dawson line of fillers was not acquired although the new firm, Lynch Machinery-Miller Hydro Inc., will continue to service the equipment and supply spare-parts service. The new firm will also be based in Bainbridge.

■ **ALLIED BEVERAGES** Corp., owner of Pepsi-Cola franchises in Rochester and Syracuse has purchased Pepsi-Cola Bottling Co. of Hartford/Springfield and New Haven, CT, from W. Robert Lapapin. Robert Haley says the two firms will continue to operate as separate entities with current management in place.

■ **BEATRICE'S** two Coca-Cola franchises on the West Coast —San Diego/Hawaii and Los Angeles— have been consolidated and will operate as Beatrice Soft Drink Div.-West. Harold Tabor is executive vice president and COO of the new division. Bill Adams was named sr. vp of the division and president and CEO of the Coca-Cola Bottling Co. of Los Angeles.

■ **CADBURY SCHWEPPES** whose public stock offering is being backed by a number of leading U.S. analysts projects world wide beverage sales in 1984 to be up 9.5% to reach approximately $710 million.

■ **SNAPPLE** Natural Fruit Juice and Soda Co., based in Ridgewood, NY, reports sales for '84 are up 40% over last year, compared to an overall growth rate of 25% for blended juices and natural sodas. At the end of the year, Snapple is in most major markets east of the Mississippi with 154 distributors offering store door delivery.

■ **COCA-COLA** Bottling Co., Dayton, has acquired the Schweppes franchise for an area covering seven counties in Ohio, four in Indiana, and 12 in Kentucky.

■ **DAYTON COCA-COLA** has acquired the franchise rights to Schweppes, Barq's and Vernors covering 11 central Ohio counties.

■ **CALIFORNIA COOLERS** has sued Loretto Winery, Ltd., makers of California Special Cooler, and Joseph Victori Wines, Inc., producers of Calvin Cooler. The company charges trademark infringement in the just-filed lawsuit. ☐

## Study: Sales to hit 5.13 bil. cases by '93

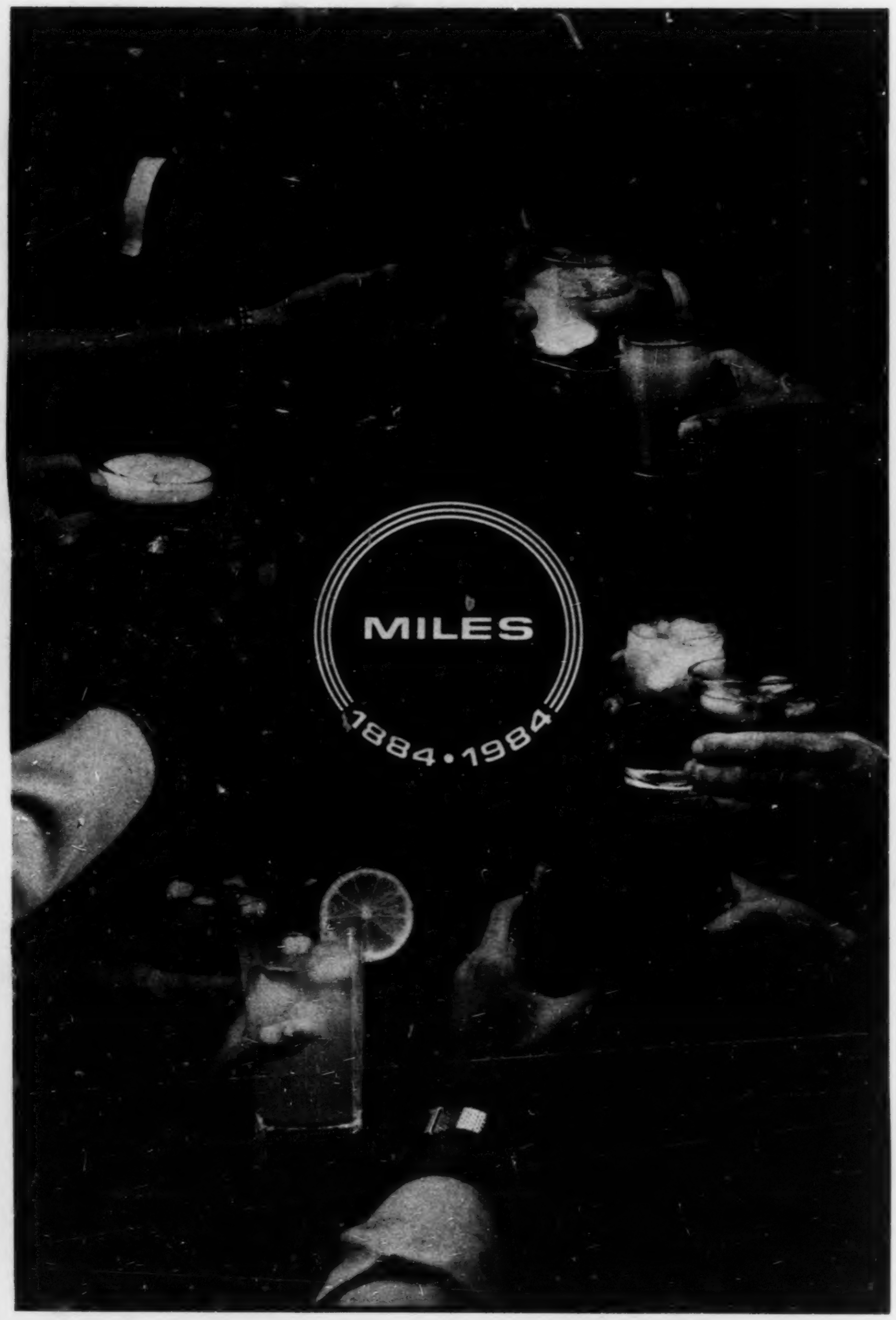
*(Continued from page 4)*

facturer of caffeine-free drinks, designed to compete with lemon-line and other flavors, the report states.

Led by these two market segments, the overall soft drink category should expand at an annual rate of 3.7 percent over the coming decade.

This new report provides detailed statistics and analysis of the size, growth and projected growth of the overall soft drink business, as well as its individual market segments, including cola, orange, lemon-lime, root beer and other soft drink submarkets. Attention is also given to advertising and promotional strategies, packaging trends, pricing activity, new product introductions, distribution channels, company and brand share data, consumer demographics and more.

*The U.S. Soft Drink Market: a Strategic Marketing Analysis and Biennial Review* is available for $595. For further information on the report contact: Business Trend Analysts, 2171 Jericho Turnpike, Commack, NY 11725; (516) 462-5454. ☐



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# Beverage Industry

AN (HBJ) PUBLICATION

JANUARY 1985

## 1984 TOP TEN BEER BRANDS

| RANK | BRAND | MARKET SHARE | PRODUCTION (mil. bbls.) |
|---|---|---|---|
| 1 | Budweiser | 24.2% | 44.3 |
| 2 | Miller Lite | 9.9% | 18.0 |
| 3 | Miller High Life | 7.9% | 14.5 |
| 4 | Coors | 4.8% | 8.7 |
| 5 | Old Milwaukee | 3.9% | 7.1 |
| 6 | Michelob | 3.7% | 6.7 |
| 7 | Pabst | 3.6% | 6.5 |
| 8 | Stroh | 2.9% | 5.3 |
| 9 | Old Style | 2.8% | 5.1 |
| 10 | Coors Light | 2.5% | 4.5 |

Pabst
Coors
Old Style
Budweiser

## Beer consumption down .6% in '84

by Gary A. Hemphill
managing editor

**Exclusive**—For the first time in almost three decades, beer consumption in the U.S. declined last year. Final year end figures are 182.7 million barrels, down .6% from 1983's 183.8 million barrels.

According to John C. Maxwell, **BI** director of research/statistics, changing lifestyles and social pressures are the main reason for declining sales. "Peoples' lifestyles are moving away from alcoholic consumption as a whole and beer is suffer-

(Continued on page 68)

## InterBev a success, over 21,000 attend

Chicago — Suppliers and visitors alike were in agreement that InterBev '84, the first of its kind, was a smashing success.

Statistics backed it up. Attendance reached 21,457 over the four-day show. The 445 supplier booths displayed the latest innovations in processing advances and services.

As the first international show, InterBev did its job in drawing that segment, as 2386 attendees from other countries gave their support.

Attendees were generally pleased with the international and industry-encompassing efforts of InterBev. "It gives you a better insight into what's going on in the industry," commented one visitor.

"I think it's great," said another. "You get to know more about your competitors, and also see the tie-ins now possible between the different beverage industries."

All facets of the industry turned out for the show, with registration forms indicating over 4,500 guests were involved in soft drinks, 574 in bottled water, 725 in beer, 445 in wine, 278 in spirits and 785 in juices. Not all attendees indicated a category.

Latest technology from the soft drink industry highlighted the show, but juice, wine, beer and spirits contributed to the presentations.

Particularly pleasing to suppliers was the enthusiasm of attendants, who were often seen buying equipment as much as browsing.

The traditional Bottler Breakfast and the Annual Meeting kicked off soft drink activities. Elected NSDA chairman was John L.D. Frazier, president of the Seven-Up Wichita Bottling Co., Wichita, KS, and chairman of the Seven-Up Fort Worth Bottling Co., Fort Worth, TX.

John A. Robertshaw, president of the Laurel Group Ltd., Greensburg, PA, was elected vice-chairman, and Bob W. Delauter, chairman of the Coca-Cola Bottling Co., Portland, IN, was elected Executive Board ex-officio.

A line-up of dynamic speakers rounded out the show, highlighted by a standing-room-only presentation by Donald R. Keough, president and CEO of The Coca-Cola Co.

(Continued on page 18)

## Beverage lobbyists gearing for busy year

by Marty Westerman
Contributing Editor

Washington, DC — While most legislative activity on Capitol Hill is on hold, beverage lobbyists are preparing their positions and lining up needed political support.

Seven new Senate and 42 new House members were sworn in Jan. 3, and the 99th Congress won't start work until after President Reagan is inaugurated on the 21st.

Once in session, other topics will demand the immediate attention of politicians. "This first session of Congress will probably be frustrating for beverage interests," says an industry observer. "The deficit, the budget, tax and farm bill issues could push everything we want to do in the background."

Action on beverage sessions (except saccharin, whose moratorium runs out April 22) will probably be held up until late spring. Lobbyists are meanwhile asking key committee staff members to put their special interest proposals on committee working agendas. And they're encouraging their favorite congressmen to seek influential committee posts.

So, between now and May, beverage lobbyists will occupy themselves with two tasks. First, they will find congressional and committee allies who will introduce their legislation and block opposing proposals.

Second, they'll be monitoring beverage-related items in each of the hot-potato issues, so that support or opposition can be rallied as needed from politicians, beverage bottlers, wholesalers and allied business constituents.

"In this period, much of the die is cast for the ensuing session," comments Washington political analyst Dick Clark, "even though the session hasn't even been convened."

In the course of their activities, beverage lobbyists will attempt to block proposals to:

- Initiate a soft drink excise tax or raise beer and liquor taxes. These proposals may

(Continued on page 43)

## BI Report

▪ **FTC is evaluating beer advertising again. Investigators for the commissison have asked major brewers and ad agencies to provide print ads and broadcast commercials. The group is particularly interested in ads which target the youth market and which may encourage under-age drinking.**

▪ **HEILEMAN's acquisition of Pabst apparently has been resolved, but the future of Pabst's**

(Continued on page 86)

## BI Now Package

Miller
BEER
Pabst

January 1985 marks the fiftieth anniversary of an American innovation, the beer can. Krueger Beer was the first, and on January 24, 1935, Krueger started canning beer for the first time commercially in American Can's "keglined" flat-top cans. See page 55.

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# Beverage Industry

AN HBJ PUBLICATION

return for refund

At six-inches high, Vernor's new Compak is easier to handle and more compact than other 10-oz. packages, the company reports.

## Vernors' bottle targets single service market

**Detroit**—Vernors Inc. is taking aim at the single service market with a 300-ml (10.1 fl. oz.) bottle that's been reshaped for convenience and costs considerably less than larger sizes.

At six inches, the new bottle, called Compak, is shorter than traditional 10-oz. packages, and is designed for easy handling and storage. It also costs less than slightly larger sizes.

"The people who have tried it love it, and the pricing seems to be right," Ken Misiak, vp-sales, told **Beverage Industry**.

While the rest of the soft drink companies are directing

*(Continued on page 12)*

### *Popular with beverage firms*

## Coupon use jumps 18%

**Greenwich, CT** — Cents-off coupons are becoming an increasingly popular marketing tool, with manufacturers using 18% more of them during 1984 than the previous year, according to an analysis by the Packaging sector of American Can Co. And it appears the beverage industry is no exception.

Based on historical data compiled by A.C. Nielsen Co., the study estimates that 168 billion coupons will have been distributed by year's end, compared with 143 billion in 1983.

Beverage-related coupons accounted for 3% of all those redeemed, according to Zachary Tahmin, American Can manager, business research.

Consumers redeemed 213 million beverage coupons, compared with the national sum of 7 billion.

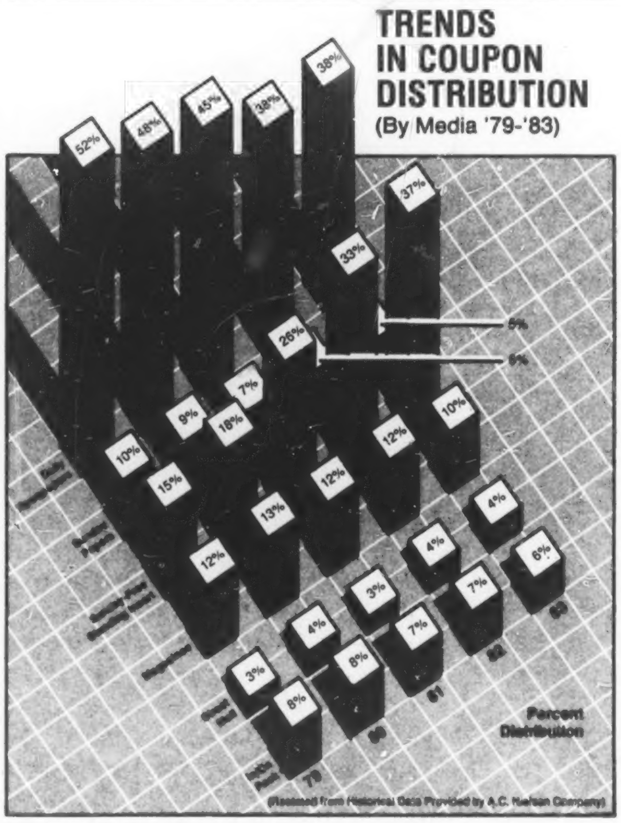
The total value of beverage and soft drink coupons redeemed during 1984 came to $50 million, compared with the total value of all coupons redeemed at $2.2 billion.

Interestingly, beverage manufacturers tend to offer high value coupons. The average face value of soft drink coupons was slightly higher than average, 25 cents compared to 24.1 cents.

Although declining in recent years, newspaper ads still represent the largest outlet for coupon distribution, at 38%. Free-standing inserts in Sunday papers are the fastest-growing segment, jumping to 37% of distribution.

Instant on-pack coupons result in the greatest redemption rate, at 25%, followed by in-pack at 18% and regular on-pack at 12% redemption.

Grocery products account for 80% of redemption, with the remainder used for health and beauty aids. ☐


**TRENDS IN COUPON DISTRIBUTION**
(By Media '79-'83)

(Redrawn from Historical Data Provided by A.C. Nielsen Company)

## Mott's offers 100% juice in venders

**Stamford, CT**—Recognizing a consumer desire for juices away from home, Cadbury Schweppes Inc. is stocking vending machines in the Northeast with its Mott's brand 100% juices.

Ten-oz. cans of pure juice in five flavors are being offered in Connecticut by machine, and after a few months on the market, the company reports it's "delighted with the response.

"The really exciting thing is that people are showing they'll drink juice wherever they can find it," says Keith Jones, vp-juice marketing.

"Before, it was only available in stores for home consumption," Jones explains. "Since 100% juice is a different kind of product, it gives people a choice in vending situations."

### Test Market

Still in a testing phase in the Northeast, Mott's, a division of Cadbury Schweppes, initiated the vending introductions through Pepsi-Cola Bottling Co. of Portsmouth, NH, placing machines in Portsmouth High School and Pease Air Force Base.

Since then, Mott's has invested in equipment of its own, and many Schweppes bottlers are hustling to alter venders to accommodate the smaller cans.

The Mott's line includes apple, apple-cranberry, apple-grape, orange and grapefruit juices. The company is counting on the brand name to encourage sales.

Because of its well-known name, no real market research was conducted before entering the market. "With the fact that Mott's has been the leading apple products company for 142 years, the research had already been done right in the marketplace," Jones says.

So far, it's paid off. "The throughput we've been getting in the machines more than justifies the cost of the equipment," he points out.

- For more information on **Mott's juice vending machines**, circle no. 280 on the reader service card. ☐

## Coke tabs Mellett; Pepsi promotes Tidmore

**Purchase, NY**—Ronald Tidmore has been named president of Pepsi-Cola USA's Food Service Division.

A seven-year veteran of PepsiCo and for the last three years in charge of Pepsi-Cola USA sales, Tidmore will be responsible for fountain syrup business, selling to restaurants, cafeterias and fast food chains.

The promotion follows the move of former Pepsi-Cola USA executive Edwin Mellett to Coca-Cola USA last month. Mellett vacated the position to fill a $500,000-a-year executive vice president spot in Coca-Cola's Atlanta headquarters.

The hiring of Mellett is being considered as somewhat of a coup because he was credited with winning over the Burger King restaurant account last year. But Pepsi was undaunted.

"Ron Tidmore has proven himself as one of the most outstanding executives at PepsiCo," said Roger Enrico, president and CEO of Pepsi-Cola USA in making the announcement. "In the last two years, for example, Pepsi-Cola

Tidmore

*(Continued on page 17)*

# Features

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# Soundoff

## Jerry Campagna's solutions to beer wholesaler problems

In Chicago at the InterBev '84 Congress, Gerald Campagna, president of C&K Distributors, Inc., (which handles Heileman's Old Style in Chicago) explained that he had stolen this thought from Professor Herb True at a seminar he had attended.

"'In countries where they do not have the word stuttering in the language, nobody stutters.' Now think about that for a moment and apply it to the beer business

". . .when I became president of C&K and looked at their discount structure they were giving two cases with every 15 they sold and everyone was selling **17 cases**. I, a smalltown boy in the Big City, changed the deal to 14 with 105 — same darn thing — but suddenly we were selling **119 case orders**!

". . . beer companies that do not have 100 case deals do not sell any."

Campagna went on to discuss his firm's experiment with 500-, 1,000-, 2,000- and 5,000-case orders and concluded with this point: ". . . Look at what your company is offering to the public. Revise it. Change it. . . Be daring. Be innovative. If there is a question regarding the legality of something, do it!" □

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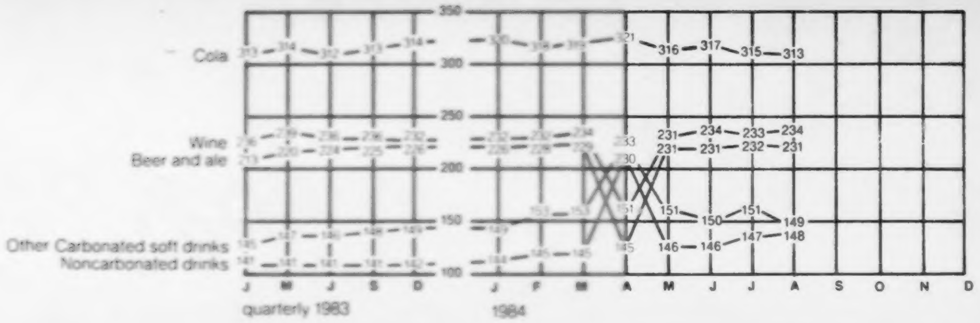
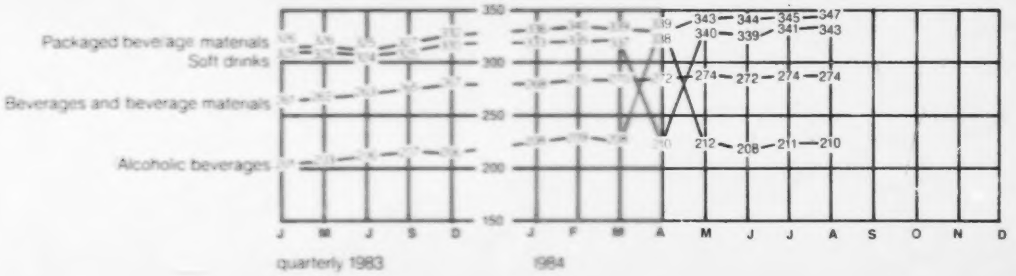
# Beverage Business Indicators*

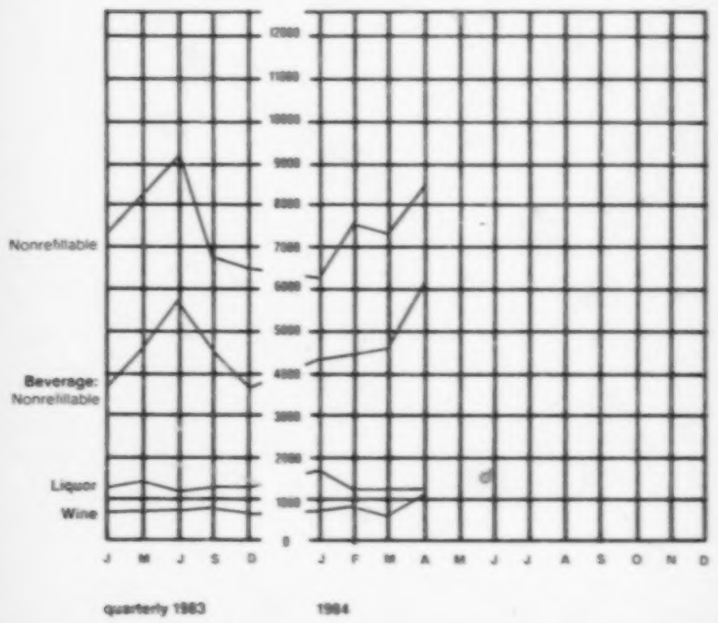
## 1984 CONSUMER PRICE INDEX
(1967 = 100)



## 1984 PRODUCER PRICE INDEX
(1967 = 100)



## BOTTLE SHIPMENTS
(thousands of gross)



## IMPORTED BEVERAGES
(proof gals)

| | June 1984 | July 1984 | % Change | July 1983 | July '83 vs. July '84 % Change |
|---|---|---|---|---|---|
| Beer* | 18,298,934 | 24,815,053 | 35.6 | 18,922,755 | 31.1 |
| Whiskey | 6,693,152 | 6,687,133 | (0.1) | 4,121,614 | 62.2 |
| Brandy | 368,847 | 514,524 | 39.5 | 369,449 | 39.3 |
| Gin | 438,609 | 578,785 | 32.0 | 564,845 | 2.5 |
| Rum | 391,667 | 249,527 | (36.3) | 150,648 | 65.6 |
| Cordials & liqueurs | 540,724 | 859,191 | 58.9 | 642,349 | 33.8 |
| Others | 954,026 | 1,138,612 | 19.3 | 627,778 | 81.4 |
| Total | 27,685,959 | 36,718,762 | 32.6 | 25,399,438 | 44.6 |
| Sparkling wines | 862,778 | 1,049,643 | 21.7 | 737,920 | 42.2 |
| Still wines, table | 8,964,664 | 12,243,946 | 36.6 | 9,122,165 | 34.2 |
| Still wines, fortified | 131,663 | 164,319 | 24.8 | 159,627 | 2.9 |
| Vermouth | 182,881 | 254,112 | 38.9 | 126,061 | 101.6 |

*Includes ale, stout, porter
Source: National Association of Beverage Importers

## ALCOHOLIC BEVERAGE REMOVALS
(barrels of 31 gals)

| | May 1984 | June 1984 | % Change | June 1983 | June '83 vs. June '84 % Change |
|---|---|---|---|---|---|
| Beer | 16,952,046 | 17,449,461 | 2.9 | 17,123,716 | 1.9 |
| Wine* | 32,319,612 | 33,342,909 | 3.2 | 35,210,696 | (5.3) |
| Spirits* | 29,747,622 | 30,191,677 | 1.5 | 31,151,321 | (3.1) |

*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

## CLOSURES FOR BEVERAGES
(thousands of gross)

| | April 1984 | May 1984 | % Change | May 1983 | May '83 vs. May '84 % Change |
|---|---|---|---|---|---|
| Metal (for spirits, wines)* | 83,183 | 80,670 | (3.0) | 73,005 | 10.5 |
| Plastic (for spirits, wines)* | 76,128 | 136,974 | 79.9 | 113,017 | 21.2 |
| Metal Crowns (beer & soft drinks) | 10,631 | 14,703 | 38.3 | 15,475 | (5.0) |
| Soft drink (convenience and conventional) | 4,476 | 6,161 | 37.6 | 6,481 | (4.9) |
| Beer (convenience and conventional) | 6,155 | 8,542 | 38.8 | 8,994 | (5.0) |
| All other metal closures other than crowns | 7,335 | 9,105 | 24.1 | 7,624 | 19.4 |

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Compiled by Market Data Communications (MDC) for Beverage Industry

# Retailers, industry form Florida BIRP

ORLANDO, FL—Florida's beverage industry and food retailers have joined forces with recyclers to organize a statewide network of recycling centers for non-returnable beverage containers and other recyclable materials.

The Florida Beverage Industry Recycling Program, or Florida BIRP, is modeled after successful BIRP programs across the country.

**Models for Florida BIRP**

| Program Name | Kentucky BIRP | Arizona BIRP | Maryland BIRP | MSDRecycle* |
|---|---|---|---|---|
| Year started | 1980 | 1971 | 1978 | 1980 |
| Number of centers | 35 | 29 | 129 | 25 |
| Jobs created | 120 | 75 | N/A | 40 |
| **Materials recycled (in pounds)** | | | | |
| Time period | 9/80-3/84 | 4/71-6/84 | 1/83-6/84 | 2/80-6/84 |
| Aluminum & steel cans | 63,612,000 | | 3,865,000** | |
| Glass | 215,000 | | 2,515,000 | |
| Plastic | 500 | Breakdown not Available | N/4 | Breakdown not Available |
| Newspaper & corrugated paper | 26,186,000 | | 4,400,000 | |
| Total | 113,047,000 | 333,000,000 | 10,780,000 | 40,000,000 |
| Total payout to public | $15,255,007 | $37,000,000 | $1,044,000 | $4,000,000 |

Note: Figures are approximate. Pounds purchased may vary from pounds actually recycled because of donated materials.
* Now Minnesota BIRP (Business & Industry Recycling Program)
**Bi-metal cans included also

Source: Florida BIRP

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January 1985

## Over 75 members

Created to control Florida's litter and solid waste problem, the program has been under development for two years. Centers will be independently owned and operated, and involve soft drink bottlers, beer distributors, supermarkets, convenience stores, suppliers, industry associations and independent recyclers. Over 75 companies have joined thus far.

Each BIRP center will be equipped to handle both aluminum and steel cans, glass bottles and jars of every color, PET bottles, newspaper and corrugated paper.

"The problem of eliminating litter and waste has been a major concern of the beverage industry in Florida for some time," says BIRP President Jon Courson.

"We've spent the last two years looking for an efficient and economical way to recover beverage containers and have now found that answer in BIRP."

And while beverage-related litter accounts for only 20% of rural and 11% of urban litter, BIRP will work toward becoming a total solution to comprehensive Florida waste recycling, Courson notes.

He anticipates it will take at least 100 recycling centers to properly serve the state. The program will absorb existing recyclers and scrap dealers into the system.

Since its creation in September 1980, Kentucky BIRP has paid out more than $15 million to citizens for 113 million pounds of material.

BIRP'S 35 centers are currently collecting nearly 70% of aluminum cans sold in Kentucky. This voluntary recycling program has paid off for the state to the tune of $53 million during the past three-and-a-half years.

BIRP centers have realized success in a number of other states, including Arizona, Maryland and Minnesota, and are being considered for adoption in many more.

"The fact that BIRPs are now operating or being considered in almost half the states in the country is a strong testimonial to the future success of BIRP in Florida," Courson points out.

BIRPs throughout the country are working to counter the threat of deposit laws. He explains that forced deposit laws add unnecessary costs to everyone, while voluntary programs achieve the same goals without the unpleasant side effects.

## Sizable investment

In order to comply with deposit laws in nine states, bottlers, retailers and distributors have had to make sizable investments in labor, equipment and storage space to handle returns.

In Michigan, for example, wholesalers had to add 35% more trucks for transporting empties, resulting in 4.4 million additional gallons in fuel consumption the first year.

They added 60% more warehouse space for equipment and storage, and 25% more hourly employees to sort, load and handle empties.

At the retail level, a major New York supermarket chain spent over $200,000 the first year of the deposit law to sort and store empties.

"With voluntary recycling, however, everyone benefits," Courson says. "Litter and solid waste are reduced. Individuals and groups gain additional income. Profitable new businesses and jobs are created in the field of recycling, and manufacturers can take advantage of the lower cost of recycled raw materials. Best of all, these things are accomplished at no cost to the consumer." ☐

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- Feco Pin Oven. 1000 CPM, 12 Oz. Can. New 1979, Never Used.
- Krones Solomatic Labeler. 12-60,000 BPH. 1974.
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- Model CM 2-2-ICU Signode, 2 x 2 or 2 x 3.
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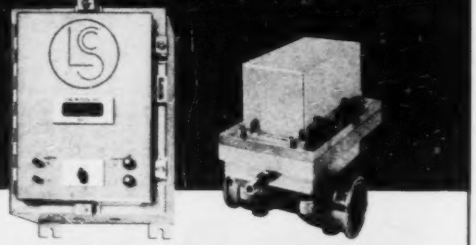

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# Wine exports get a boost

WASHINGTON, DC—Congress has taken an initial step toward increasing exports of American wine.

With the Wine Equity and Export Expansion Act signed into law, congress is attempting to eliminate or reduce trade barriers on exports of U.S.-made wine into other countries.

"First the President will determine major trade countries," explained Marshall Newman, spokesman for the Wine Institute, supporter of the legislation.

"Then he will appoint trade representatives to consult with each country to try to eliminate any trade barriers," Newman said.

According to Wine Institute, the measure may work toward balancing U.S. wine exports, which totaled $32.1 million in 1983. Imports totaled $853.7 million. ☐

*The president's choice*

# Purchasing decentralizing, but top titles still call shots

**by Paul E. Mullins**
**Editor**

SURVEY ANALYSIS—As the soft drink industry continues to consolidate, the final purchasing decision is moving down the chain of command, but the president/owner and/or the person in charge of subsidiary plants and smaller companies still have the final say-so in the majority of cases.

In the beer wholesaling industry, the decision-making authority is even more top heavy with more than 91% of the decisions on fleet and 68% of the decisions on materials handling equipment purchases being made at the presidential levels.

These are the results of a recent **Beverage Industry** survey on purchasing practices in the soft drink industry. A total of 8,000 questionnaires were mailed and at presstime, with more coming in, a total of 1,495 responses had been received, a 18.3% return. (See "About the survey" page 51.)

Although the final decision making authority still is heavily vested in the top officer's responsibilities, there are a number of areas — fleet, vending, production — where the influence of executives who are specifically responsible for these functions is becoming greater.

Since this is the first time **BI** has conducted this survey, there is no comparative information against which change can be judged. However, a number of long time beverage industry suppliers were asked to review the data. This comment is typical of the overall reaction: "Yes, the numbers are high for the top officials, but if you had done the survey several years ago, they would have been even higher."

### Purchasing agents

Although executives with this title are becoming more commonplace, the assignment of this special function was, until recently, a rarity in the beverage business. In fact, it still is in the single-plant operation category.

Responsibilities of purchasing agents vary greatly depending primarily on the size of the operation and the category of supplies being purchased. As a general rule, these executives will:

- Have recommendation authority on almost all of the items purchased.
- Have more final decision authority in certain areas, primarily ingredients in the larger operations.

### Single plant purchasing patterns

Decision making in these plants is more in line with what has always been the traditional soft drink industry purchasing patterns. As one respondent volunteered on his questionnaire: "In small plants, presidents do it all."

Not all of the respondents, however, were small. Surveys were returned from 43 single plant operations with sales in excess of $25 million. In these larger facilities, the trend toward authorizing the person with the line responsibility to the make the final decision is evident.

Presidents and general managers in this group make 91.6% of the final decisions on fleet purchases. General managers make 57.1% of the recommendations and are the most influential.

Vending decisions are also made primarily at the top with 77.7% of these decisions being made by either the president or the number two executive. Sales personnel make 16.6% of the final decisions.

Of those top executives who don't make the final decision, 50% of them make recommendations or specifications. Surprisingly only 3.2% of specifications/recommendations come from vending specialists in this group of plants.

Presidents and other chief executives also account for a combined total of 92.9% of all final decisions on production equipment. 10% of final decisions are being made by production officials who also make 21.2% of the recommendations.

Production managers also make 12.5% of the final decisions on packaging equipment, 14.6% of the final decisions on ingredients and 14.9% of the final decisions on materials handling equipment.

The final decisions on these three categories is made by the president or general manager.

### Multiple plant/independent purchasing patterns

Size of operations represented in this group ranged from $3 million to $50 million with almost 70% in the over-$25 million group.

This group clearly demonstrates the trend to decentralizing pruchasing decisions. For example, 46.2% of the final fleet purchase decisions are made by executives with fleet responsibilities. Almost one-fourth of all the production equipment and materials handling equipment final decisions are also made by production officials.

Presidents also play less of a role in these plants. They make 25.6% of the final decisions on fleets, 16.3% of the final decisions on vending equipment, 21.3% on production equipment, 26.8% on packaging equipment, 22.7% on materials handling equipment and only 13.9% of the final decisions on ingredients.

Vending managers make 34.6% of the final decisions on vending equipment purchases. They get recommendations and specifications from general managers (52.6%) and presidents (42%).

General managers and other top officials are the most influential group in this category of plants. They are responsible for 54.5% of the decisions on materials handling and are the primary final decision maker for ingredients and packaging and production equipment.

### Multiple plant/conglomerate purchasing patterns

More of the final purchasing decisions in this group of plants are made by the person responsible for the function than in any other.

Vending managers, for example, make 41.7% of the final decisions on vending equipment.

Production managers make 56% of the decisions on pro-

**Beer wholesaler purchases**

| Title | Fleet make decision | Fleet specify/ recommend | Materials handling make decision | Materials handling specify/ recommend |
|---|---|---|---|---|
| President/owner | 91.3% | 4.5% | 68.2% | 14.3% |
| Executive titles | 6.5% | 18.1% | 4.6% | 14.3% |
| Fleet titles | 2.2% | 36.4% | | |
| Production Titles (warahouse mgr.) | | 40.9% | 31.2% | 71.4% |

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**Fleet purchasing decisions**

| Titles | Make decision | Specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 52.1% | 9.5% |
| Executive titles | 39.5% | 57.1% |
| Fleet titles | 0.0% | 4.8% |
| Sales titles | 2.1% | 14.3% |
| Production titles | 4.2% | 4.8% |
| Vending titles | 0.0% | 9.5% |
| Purchasing titles | 2.1% | 4.8% |
| **Multiple plant/independent** | | |
| President/owner | 25.6% | 0.0% |
| Executive titles | 28.2% | 52.0% |
| Fleet titles | 46.2% | 4.0% |
| Sales titles | 0.0% | 28.0% |
| Purchasing titles | 0.0% | 16.0% |
| **Multiple plant conglomerate** | | |
| President | 22.7% | 6.5% |
| Executive titles | 36.3% | 35.5% |
| Fleet titles | 31.8% | 35.5% |
| Sales titles | 0.0% | 12.9% |
| Production titles | 9.1% | 0.0% |
| Purchasing titles | 0.0% | 9.8% |
| **Franchise company-owned plants** | | |
| President | 18.2% | 0.0% |
| Executive titles | 54.5% | 21.4% |
| Fleet titles | 18.1% | 78.6% |
| Sales titles | 9.1 | 0.0% |

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**Vending equipment purchasing decisions**

| Titles | Make decision | Specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 44.4% | 16.6% |
| Executive titles | 33.3% | 50.0% |
| Sales titles | 16.6% | 16.8% |
| Vending titles | 3.7% | 11.1% |
| Purchasing titles | 1.8% | 0.0% |
| **Multiple plant independents** | | |
| President/owner | 16.3% | 42.1% |
| Executive titles | 22.4% | 52.6% |
| Fleet titles | 0.0% | 5.2% |
| Sales titles | 18.4% | 0.0% |
| Vending titles | 34.5% | 0.0% |
| Purchasing titles | 6.1% | 0.0% |
| **Multiple plant conglomerate** | | |
| President | 20.8% | 5.3% |
| Executive titles | 29.1% | 36.8% |
| Fleet titles | 0.0% | 5.3% |
| Sales titles | 8.3% | 21.1% |
| Vending titles | 41.7% | 21.1% |
| Purchasing titles | 0.0% | 10.5% |
| **Franchise company-owned plants** | | |
| President | 16.6% | 0.0% |
| Executive titles | 41.6% | 27.2% |
| Sales titles | 16.6% | 54.5% |
| Vending titles | 25.0% | 0.0% |

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## Packaging equipment purchasing decisions

| Titles | make decision | specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 44.7% | 10.5% |
| Executive titles | 40.4% | 47.5% |
| Sales titles | 0.0% | 15.8% |
| Production titles | 14.9% | 21.0% |
| Purchasing titles | 0.0% | 5.3% |
| **Multiple plant/independent** | | |
| President/owner | 26.8% | 0.0% |
| Executive titles | 46.3% | 63.2% |
| Sales titles | 17.1% | 0.0% |
| Production titles | 17.1% | 0.0% |
| Purchasing titles | 9.7% | 36.8% |
| **Multiple plant/conglomerate** | | |
| President | 15.6% | 5.5% |
| Executive titles | 46.9% | 50.0% |
| Sales titles | 0.0% | 5.5% |
| Production titles | 11.0% | 10.5% |
| Purchasing titles | 3.1% | 27.7% |
| **Franchise company-owned plants** | | |
| President | 12.5% | 0.0% |
| Executive titles | 62.5% | 55.5% |
| Sales titles | 0.0% | 33.3% |
| Production titles | 25.0% | 11.1% |

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## Ingredient purchasing decisions

| Titles | make decision | specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 36.7% | 27.7% |
| Executive titles | 45.9% | 33.3% |
| Sales titles | 0.0% | 16.6% |
| Production titles | 14.8% | 16.6% |
| Vending titles | 2.1% | 5.5% |
| **Multiple plant/independent** | | |
| President/owner | 13.9% | 26.7% |
| Executive titles | 37.2% | 14.6% |
| Sales titles | 4.7% | 0.0% |
| Production titles | 6.9% | 3.2% |
| Vending titles | 2.3% | 4.6% |
| Purchasing titles | 20.9% | 31.3% |
| Quality control | 13.9% | 19.8% |
| **Multiple plant/conglomerate** | | |
| President | 14.3% | 5.5% |
| Executive titles | 57.1% | 44.4% |
| Production titles | 25.0% | 16.6% |
| Vending titles | 3. | 33.3% |
| Purchasing titles | 3.6% | |
| **Franchise company-owned plants** | | |
| Executive titles | 42.8% | 66.6% |
| Production titles | 57.1% | 33.3% |

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duction equipment and 34.3% of the final decisions on packaging equipment. They are also important in the ingredient area, making 25% of the final decisions.

Fleet managers, although not the primary decision makers, account for almost one-third of all purchases in this area.

In instances where the person in charge of the function is not responsible for making the final purchasing decision, the primary influence is the "man in charge of the operation" — vice presidents, general managers, etc. In those categories where these executives don't make the final decisions, they out number all other groups of executives when it comes to recommending or specifying equipment.

The top executives make 36.3% of the final decisions on fleet purchases, 29.1% of the final decisions on vending equipment, 28% of the final decisions on production equipment, 46.9% of the final decisions on packaging equipment, 56.5% of the final decisions on materials handling equipment, and 57.1% of the final decisions on ingredients.

Presidents of these firms play less of a role in purchasing, but many do play the final decision making role. Their final decision control accounts for between 14%-22.7% of purchases in the six areas.

### Franchise company owned plant purchasing patterns

Final purchase decisions in these plants vary across the board and include franchise company personnel, regional officials and plant personnel.

A number of presidents get involved in final decision making in theses plants: 18.2% of the final decisions on fleet purchases; 16.6% of the final decisions on vending, 14.3% of the final decisions on production equipment, 12.5% of the final decisions on packaging equipment, and 9.1% of the final decisions on materials handling equipment are made by these executives.

The executive in charge of the subsidiary plant is the primary final decision maker. 54.5% of the fleet decisions, 41.6% of the vending equipment decisions, 71.4% of the production equipment decisions, 62.5% of the packaging equipment decisions, 54.5% of the materials handling decisions and 42.8% of the ingredient decisions are made by these plant executives.

The advisory role of specialized executives in these plants is also an important factor. Although fleet personnel make only 18.1% of the final decisions on fleet purchases, they have the recommendation or specification responsibility in 78.6% of the cases.

Production specialists only make 14.3% of the final purchase decisions on production equipment, but recommend or specify on 45.5% of them.

These executives also make 57.1% of the final decisions on ingredients.

### Wholesaler purchasing patterns

Beer wholesalers basically purchase two major items: fleet trucks and materials handling equipment. Because most of these firms are lean at the top, the president makes most of the final decisions on both categories.

The **BI** study shows that 91.3% of final fleet decisions are made by these individuals. General managers make 6.5% of the fleet purchase decisions and 2.2% of the decisions are made by fleet managers.

Indicating that the chief executives do not make deci-

## Production equipment purchasing decisions

| Titles | Make decision | specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 48.3% | 5.5% |
| Executive titles | 44.6% | 51.3% |
| Sales titles | 0.0% | 10.8% |
| Production titles | 10.0% | 21.1% |
| Vending titles | 0.0% | 5.5% |
| Purchasing titles | 0.0% | 5.75% |
| **Multiple plant/independent** | | |
| President/owner | 21.3% | 15.7% |
| Executive titles | 44.6% | 17.6% |
| Sales titles | 0.0% | 5.9% |
| Production titles | 23.4% | 37.3% |
| Purchasing titles | 6.3% | 11.7% |
| **Multiple plant/conglomerate** | | |
| President | 16.0% | 7.1% |
| Executive titles | 28.0% | 50.0% |
| Production titles | 56.0% | 14.3% |
| Purchasing titles | 0.0% | 28.6% |
| **Franchise company-owned plants** | | |
| President | 14.3% | 0.0% |
| Executive titles | 71.4% | 36.4% |
| Sales titles | 0.0% | 45.5% |

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## Material handling equipment purchasing decisions

| Titles | make decision | specify/recommend |
|---|---|---|
| **Single plant operations** | | |
| President/owner | 44.6% | 10.5% |
| Executive titles | 41.1% | 47.4% |
| Sales titles | 0.0% | 15.7% |
| Production titles | 12.5% | 21.1% |
| Purchasing titles | 1.9% | 5.3% |
| **Multiple plant/independent** | | |
| President/owner | 22.7% | 0.0% |
| Executive titles | 54.5% | 0.0% |
| Fleet titles | 2.3% | 27.7% |
| Sales titles | 11.4% | 5.5% |
| Production titles | 6.8% | 22.2% |
| Purchasing titles | 2.3% | 44.4% |
| **Muitiple plant/conglomerate** | | |
| President | 21.8% | 6.6% |
| Executive titles | 58.5% | 40.2% |
| Fleet titles | 4.3% | 6.6% |
| Sales titles | 13.1% | 26.6% |
| Production titles | 13.1% | 26.6% |
| Purchasing titles | 4.3% | 21.1% |
| **Franchise company-owned plants** | | |
| President | 9.1% | 0.0% |
| Executive titles | 54.5% | 55.0% |
| Production titles | 36.3% | 45.0% |

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## About the survey

Each respondent was asked to provide his or her job title, a brief description of their responsibilities and to indicate whether they had the final decision, specify or recommend authority in each of six areas: fleet, vending, production, packaging, materials handling and ingredients.

Each was also asked to identify the type of operation in which they worked. The choices were: single plant independent, multiple-plant independent, multiple plant operation owned by a conglomerate and franchise company owned plants. Respondents were also asked to indicate the size of their company by sales volume.

The company classificataions are defined as follows:

**Single plant operations** — In these plants, production is under one roof; they may or may not service warehouse distribution points.

**Multiple plant/independents** — This category is basically those firms which operate multiple plants, all of which produce beverages. Joyce Beverages, Mid-Atlantic Coca-Cola would be typical examples.

**Multiple plant/conglomerate** — These firms are multiple plant operations owned by another firm with holdings in the nonbeverage area. General Cinema, MEI, Westinghouse would be representative examples.

**Franchise company-owned plants** — Included here are firms which the franchisor owns outright and totally. The category does not include firms for which the franchisor has provided funds for leveraged buyouts. PBG and the Atlanta Coca-Cola Bottling Co. are examples.

Titles and job responsibilities which go with those titles vary in the beverage industry. For that reason, BI requested respondents to provide a brief description of their duties.

Title classifications would be as follows.

**Presidents/owners**— These titles also include chairmen and CEO responses.

**Executive titles** — Basically these titles were those of people who were not president or owners but who described themselves as being "in charge" of a firm or location. Representative titles would be vp-operations, operations director, regional vice president (but not regional vp-sales). Depending upon their job descriptions, in some cases plant managers and general managers were included.

**Sales titles** — These were sales managers, district or regional marketing titles.

**Production titles** — Included in this group were all responses from anyone whose title connected them with production, including vp-production, general manager/production, production manager. All manufacturing and engineer titles were also included in this group.

**Vending titles** — In addition to the vending manager titles, this group also included all cold bottle titles as well as fountain and food service executives.

**Purchasing** — In addition to purchasing directors and vp-purchasing titles, this group also included controllers and company treasurers, if they reported that they had any purchasing responsibilities. ☐

sions in a vacuum, specification and recommendations come from other officials in the distributorship. 40.9% of recommendation/specifications come from warehouse managers; 36.4% come from fleet titles and 18.1% from general managers.

Presidents also control materials handling equipment purchases, but to a lesser degree. 68.2% of final decisions are made by the chief executive.

Warehouse managers make 31.2% of the final decisions and executives with fleet titles are responsible for 4.5% of the final decisions.

When it comes to recommending and specifying, warehouse managers play the dominant role; 71.4% of them fulfill this function. Fleet managers make 14.3% of the recommendations and among presidents who do not make the final decision, 14.3% of them make recommendations. ☐

## Chinese group visits InterBev

CHICAGO—A delegation of engineering experts from the People's Republic of China toured InterBev as part of their research for the food processing, packaging and beverage show they will hold in Peking this spring.

The show, Interteck-Ex Foodpack '85, is scheduled for March 5-14 and is open to all U.S. manufacturers of food and beverage products and equipment, according to U.S. organizer Mary Ann Lynch, president, Lynch and Associates, an international trade and exhibition consultant.

"The purpose of bringing the engineers here is to target the needs, sizes and capacities that the Chinese seek so that the companies here that want to participate can show exactly what their prospects are looking for," Lynch said.

Among the booths visited by the delegation was the FMC Corp., Beverage Equipment Division, where the visitors received an extensive tour. ☐

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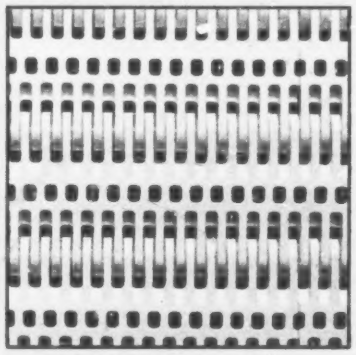

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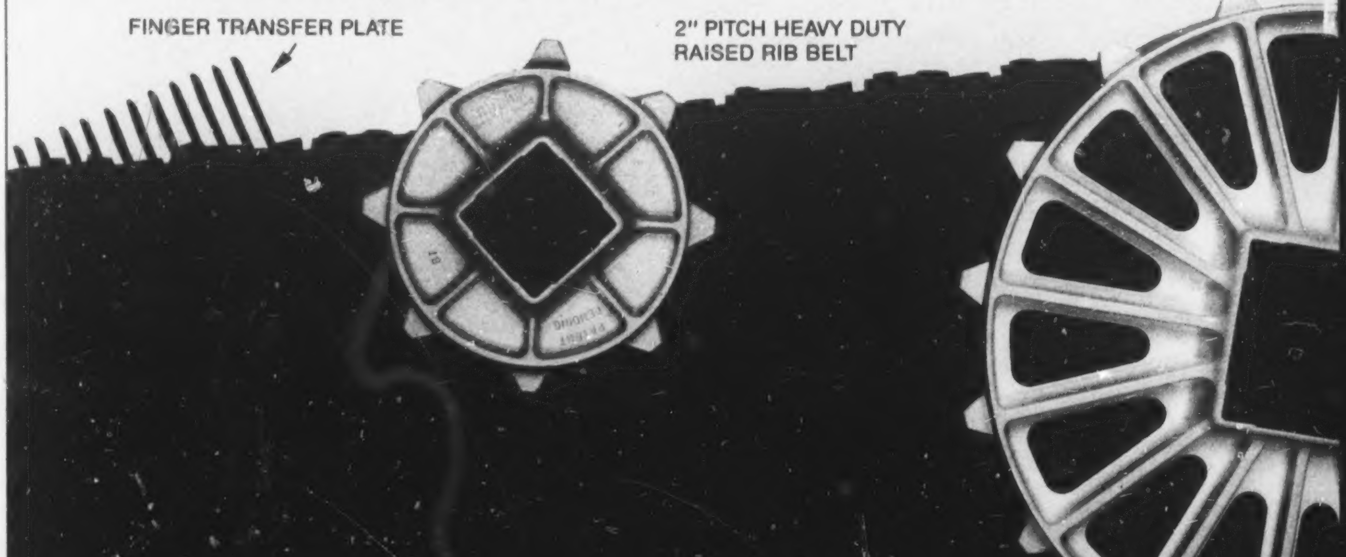

# Beer consumption down .6% in 1984

*(Continued from page 1)*

ing along with the rest of the beverages."

Declining consumption had been projected by a number of industry barometers. In 1983 sales were up only .8% and the previous year, only .3%.

1984 was good for light, popular and imported beers, but their gains did not make up for the losses in the super premiums, premiums and malt liquors.

Light beer increased its total industry share by 8% moving up to 36.4 million barrels, 19.9% of the total. Popular priced brands, the second most important segment, moved up to 42 million barrels, 23% of the total. Imports now account for 3.9% of total consumption, 7.1 million barrels.

Premium priced products still have almost a two-to-one lead and account for 82.3 million barrels sold, 45% of the total. Super premiums — priced on a par with imports in many markets — were down 1.3 million barrels accounting for 9.1 million barrels in sales, 5% of the total market.

It appears that diet and cost-conscious consumers opted for the light and popular brands, while many young urban professionals who want an upscale image were quaffing imports, comments Maxwell.

### Flagship brands

Anheuser-Busch is the only domestic brewer that had "meaningful growth," up 5.5%, Maxwell reports.

In fact, all the brands in the Anheuser-Busch stable experienced volume gains except Michelob, which was down slightly to 6.7 million barrels.

Maxwell notes that A-B is the only domestic whose flagship brand moved ahead. Budweiser jumped from 42.7 million beer barrels in 1983 to 44.3 in '84, increasing its market share one full percentage point to 24.2.

A-B also had considerable success with its light brands, Natural Light and Bud Light. Bud Light, up 300,000 barrels, continues to gain at a rate similar to 1983. Natural Light, up 200,000 barrels has reversed last year's sales decline. Although A-B is hopeful that this duo can begin to eat up some of the market share of Miller Lite, the brands only account for a combined total of 5.2 million barrels.

To add yet another dimension to Natural Light, the company recently announced a stepped up marketing campaign for Natural Light using the theme, "The beer with the taste for food." The positioning evidently aims to increase at-home consumption of Natural Light.

Overall, Miller had a volume increase, up 1.3%, thanks to Lite and its new popular brands, Meister Brau and Milwaukee's Best. In fact, Lite jumped into the second spot in the Top 10 brands ahead of Miller High Life, which did not fare as well. Miller's flagship brand dropped from 17 million beer barrels in 1983 to 14.5 in '84.

Problems with this brand have been widely speculated on and at press time, Miller was still reviewing ad agencies in attempt to pump life back into the brand's sagging sales.

Coors' expansion into other markets did not help its sales volume, according to Maxwell. Coors Light was up 700,000 barrels and moved among the Top Ten selling brands. But all of this was negated by a drop in sales of the flagship brand from 9.7 to 8.7 million barrels. Overall, Coors' volume was off 2.2%.

Certainly, other domestics ran into similar problems. Stroh, the No. 3 brewer, was off 1.6%; Heileman 2.9%; and Pabst 7.8%.

Overall, domestics were off 1.1%, down to 175.6 million beer barrels in '84 versus 177.5 in 1983.

There were numerous changes in the Top 10 brands. Only two retained their same slot versus the 1983 Top 10.

Budweiser remains first and Coors is still fourth. But Miller Lite jumped ahead of

*(Continued on page 70)*

### Brewers' estimated market shares

| | 1979 | 1981 | 1983 | 1984E |
|---|---|---|---|---|
| Anheuser-Busch | 26.8% | 30.0% | 33.6% | 35.9% |
| Miller | 20.8 | 22.2 | 20.8 | 21.3 |
| Stroh | 15.3 | 12.9 | 13.5 | 13.4 |
| Heileman | 6.6 | 7.7 | 9.7 | 9.6 |
| Coors | 7.5 | 7.3 | 7.6 | 7.5 |
| Pabst | 12.3 | 10.5 | 7.1 | 6.6 |
| Genesee | 2.0 | 2.0 | 1.8 | 1.7 |
| Schmidt | 2.2 | 1.6 | 1.7 | 1.6 |
| Pittsburgh | 0.4 | 0.5 | 0.6 | 0.5 |
| Others, Net* | 6.1 | 5.3 | 3.6 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

* Includes imports and excludes tax-free

Source: John C. Maxwell
Laidlaw Ansbacher Inc

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January 1985

### Production by brand

(mil. bbls.)

| | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984E |
|---|---|---|---|---|---|---|---|---|
| **Anheuser-Busch** | | | | | | | | |
| Budweiser | 25.0 | 27.0 | 31.0 | 34.6 | 39.1 | 40.6 | 42.7 | 44.3 |
| Michelob | 6.2 | 7.5 | 8.0 | 8.0 | 7.7 | 7.4 | 7.0 | 6.7 |
| Busch & Busch Bavarian | 3.4 | 3.6 | 3.2 | 2.8 | 3.1 | 3.4 | 3.4 | 4.3 |
| Bud Light | - | - | - | - | - | 3.3 | 3.7 | 4.0 |
| Michelob Light | - | 1.0 | 2.0 | 2.4 | 2.7 | 2.9 | 2.7 | 2.8 |
| A-B Natural Light | 1.9 | 2.5 | 2.0 | 2.4 | 1.8 | 1.5 | 1.0 | 1.2 |
| LA | - | - | - | - | - | - | - | 0.4 |
| Other | - | - | - | - | - | - | - | 0.1 |
| Total | 36.5 | 41.6 | 46.2 | 50.2 | 54.5 | 59.1 | 60.5 | 63.8 |
| **Miller** | | | | | | | | |
| Lite | 7.5 | 9.5 | 11.2 | 13.2 | 16.3 | 17.2 | 17.9 | 18.0 |
| High Life | 16.5 | 20.8 | 23.6 | 22.7 | 22.3 | 20.4 | 17.0 | 14.5 |
| Meister Brau | - | - | - | - | - | - | 0.6 | 2.0 |
| Milwaukee's Best | - | - | - | - | - | - | - | 2.0 |
| Lowenbrau | 0.2 | 1.0 | 0.9 | 1.2 | 1.5 | 1.4 | 1.5 | 1.2 |
| Other | - | - | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.2 |
| Total | 24.2 | 31.3 | 35.8 | 37.2 | 40.3 | 39.3 | 37.4 | 37.9 |
| **Stroh** | | | | | | | | |
| Old Milwaukee | | 3.6 | 3.7 | 4.2 | 5.1 | 6.0 | 7.6 | 7.1 |
| Stroh | | - | - | 5.7 | 5.5 | 5.4 | 5.5 | 5.3 |
| Schaefer | | - | - | 3.6 | 3.0 | 2.5 | 3.0 | 4.0 |
| Schlitz Malt | | 1.8 | 1.9 | 2.3 | 2.5 | 2.6 | 2.6 | 2.1 |
| Schlitz | | 13.0 | 10.5 | 7.5 | 5.7 | 4.1 | 3.2 | 1.7 |
| Old Milwaukee Light | | - | - | - | - | 0.8 | 1.0 | 1.5 |
| Stroh Light | | - | - | 0.5 | 0.6 | 0.6 | 0.7 | 0.8 |
| Goebel | | - | - | - | - | 0.3 | 0.3 | 0.6 |
| Schlitz Light | | 0.8 | 0.6 | 0.4 | 0.3 | 0.4 | 0.3 | 0.1 |
| Erlanger | | - | - | 0.4 | 0.5 | 0.1 | - | - |
| Other | | 0.4 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.7 |
| Total | | 29.8 | 26.4 | 24.8 | 23.4 | 22.9 | 24.3 | 23.9 |
| **Heileman** | | | | | | | | |
| Old Style & Light & Export | | | | 4.8 | 5.4 | 5.6 | 5.8 | 5.1 |
| Schmidt/Rainer | | | | 1.6 | 1.7 | 2.0 | 2.3 | 2.4 |
| Carling Black Label & Light | | | | 0.8 | 1.0 | 1.6 | 1.9 | 2.1 |
| Colt 45 | | | | 1.1 | 1.2 | 1.5 | 1.6 | 1.7 |
| Blatz & Light | | | | 1.3 | 1.5 | 1.7 | 1.8 | 1.6 |
| Red, White & Blue | | | | - | - | - | 0.9* | 1.1 |
| Blitz | | | | - | - | - | 0.6* | 0.8 |
| Lone Star | | | | - | - | - | 0.6* | 0.8 |
| Other | | | | 3.7 | 3.2 | 2.1 | 2.0 | 1.4 |
| Total | | | | 13.3 | 14.0 | 14.5 | 17.5 | 17.0 |
| **Coors** | | | | | | | | |
| Coors | | 12.1 | 11.3 | 11.4 | 10.1 | 8.5 | 9.7 | 8.7 |
| Coors Light | | 0.5 | 1.6 | 2.4 | 3.1 | 3.2 | 3.8 | 4.5 |
| Others | | - | - | - | 0.1 | 0.2 | 0.2 | 0.2 |
| Total | | 12.6 | 12.9 | 13.8 | 13.3 | 11.9 | 13.7 | 13.4 |
| **Pabst** | | | | | | | | |
| Pabst | | 12.7 | 12.3 | 11.2 | 9.6 | 8.6 | 7.4 | 6.5 |
| Hamms & Light | | - | - | - | - | - | 2.0* | 2.0 |
| Olympia | | - | - | - | - | - | 1.0* | 1.0 |
| Olde English (Malt) | | 0.5 | 0.7 | 1.0 | 1.1 | 0.9 | 1.0 | 0.9 |
| Pabst Extra Light | | 0.6 | 0.7 | 0.6 | 0.5 | 0.5 | 0.3 | 0.3 |
| Olympia Gold | | - | - | - | - | - | 0.2* | 0.3 |
| Pabst Light | | - | - | - | - | - | - | 0.3 |
| Jacob Best | | - | - | - | - | 0.4 | 0.3 | 0.2 |
| Andeker | | - | - | - | 0.1 | 0.1 | 0.1 | 0.1 |
| Olympia Light | | - | - | - | - | - | - | 0.1 |
| Maxx | | - | - | - | - | - | - | 0.1 |
| Lone Star | | - | - | - | - | - | 0.3# | - |
| Red, White & Blue | | 0.5 | 0.9 | 1.2 | 1.3 | 1.0 | 0.2* | - |
| Blitz | | 0.3 | 0.5 | 0.8 | 0.5 | 0.6 | - | - |
| Other | | 0.8 | - | 0.3 | 0.4 | 0.2 | - | - |
| Total | | 22.1 | 21.1 | 21.2 | 19.2 | 17.5 | 12.8 | 11.8 |

* Nine months.
# Three months.

Source: John C. Maxwell
Laidlaw Ansbacher

Copyright: Beverage Industry
January 1985

# Beer consumption down .6% in '84

**Estimated malt liquor sales volume (000 barrels)**

| | 1972 | 1975 | 1978 | 1981 | 1982 | 1983 | 1984E |
|---|---|---|---|---|---|---|---|
| Schlitz (Stroh) | 700 | 1,300 | 1,800 | 2,500 | 2,600 | 2,600 | 2,100 |
| Colt 45 (Heileman) | 1,050 | 1,300 | 1,350 | 1,200 | 1,500 | 1,600 | 1,700 |
| Olde English (Pabst) | — | — | 500 | 1,100 | 900 | 1,000 | 900 |
| Champale (Iroquois) | 285 | 400 | 700 | 400 | 400 | 400 | 400 |
| Mickey's (Heileman) | — | — | — | 400 | 500 | 500 | 400 |
| Country Club (Pearl) | 700 | 550 | 400 | 200 | — | — | — |
| Magnum (Philip Morris) | — | *— | — | 200 | 300 | 200 | 200 |
| Malt Duck (Heileman) | — | 80 | 125 | 75 | 100 | 100 | 75 |
| Bud Malt (Anheuser-Busch) | 200 | — | — | — | — | — | — |
| 900 (Pearl) | — | — | — | — | — | — | — |
| Subtotal | 2,935 | 3,630 | 4,875 | 6,075 | 6,300 | 6,400 | 5,775 |
| All Others | 250 | 120 | 50 | 50 | 50 | 50 | 50 |
| Total | 3,185 | 3,750 | 4,925 | 6,125 | 6,350 | 6,450 | 5,825 |

*Terminated.

Source: John C. Maxwell
Laidlaw Ansbacher Inc.

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January 1985

(Continued from page 68)

Miller High Life for the second most popular brand. Old Milwaukee and Michelob moved past Pabst into the fifth and sixth spots as Pabst slid into seventh. In the eighth and ninth positions, Stroh jumped ahead of Heileman's Old Style. The only new entry was Coors Light, which displaced Bud Light for the tenth spot.

The new and much-ballyhooed low-alcohol category has had little impact on the industry in terms of sales in '84. A-B's LA, with sales of 400,000 barrels, is the only low-alcohol beer with a measureable market share, according to Maxwell.

But Maxwell says it's still too early to tell what kind of sales volume the category will command.

And in a speech presented at InterBev, Peter Mitchell, worldwide brands manager, Guinness Brewing Worldwide, said, "If we concentrate, for example, just on the non-alcoholic beer business here in the U.S.A., there is evidence of spectacular growth starting to occur although admittedly from very small bases."

Sales were much stronger for imports, up 12.6% for the year over '83. (See related story, page 73.)

### Looking to '85

Overall, Maxwell projects the beer industry will have a difficult time growing in 1985. He predicts higher excise taxes and/or price increases, converting sales to the low-priced "popular" brands at the expense of premiums and super premiums.

Other problems also remain, though. Anti-alcohol sentiment continues to plague the industry with groups like Mothers Against Drunk Driving (MADD) putting lobbying pressure on the government.

The consumer trend toward dieting and health-consciousness has probably cost the industry some sales, and will likely continue to do so in '85.

Demographics may be another force working against the industry.

"With an aging population, a greater proportion of consumers now have an interest in more moderate levels of alcohol consumption," explained Guinness' Mitchell in his InterBev speech.

Some groups are continuing to attempt to limit, if not outright ban, TV advertising for beer and wine.

Stop Marketing Alcohol on Radio and TV (SMART) is a coalition comprised of many groups including the Center for Science in the Public Interest and the National Parents-Teachers Assn. that is leading the lobbying effort to halt the TV advertising.

Arnold Fege, in charge of governmental relations for the PTA, says the advertising is "terribly biased" and is fighting for either "equal time advertising" or an outright ban on the advertising.

While many question the impact the coaliton will have, there's no doubt this is another worry for the industry.

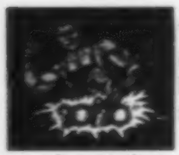
### Capacity problems

With an estimated capacity

(Continued on page 73)

Introducing the top sales team in the beverage body business.

And the new Mickey body that will keep them there.

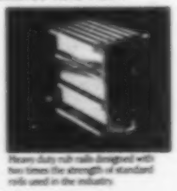

While it's been said that it's "lonely at the top," here at Mickey we see it differently.

We think being on top of your industry's needs keep you in business as the success of the sales people you see here attests to.

So instead of loneliness, you create loyal customers.

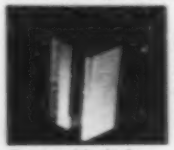
And you introduce an all new truck body, like the new generation 20/20 series you see here.

You also introduce features like reinforced rub rails, which are two times stronger than normal, eliminating the potential for fork lift damage.


Heavy duty rub rails designed with two times the strength of standard rails used in the industry

You introduce the All-Weather-Loc® which prevents theft and keeps your products dry and safe from the elements.

You introduce state of the art engineering: a structurally stronger design rather than just a reinforced body.


Heaviest extruded track in the industry for protection from fork truck damage

You introduce a body lowered by two inches, making it easier for route salesmen to reach their product.

The innovative introductions go on and on.

But why make your buying decision on just these facts? Why not let the top sales team in the industry explain it all in person?

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# Beer consumption down .6% in 1984

### Brewers' production

(mil. bbls.)

| | 1972 | 1975 | 1978 | 1981 | 1982 | 1983 | 1984E | Year-end Capacity 1984E |
|---|---|---|---|---|---|---|---|---|
| **Anheuser-Busch** | 26.6 | 35.2 | 41.6 | 54.5 | 59.1 | 60.5 | 63.8 | 71.0 |
| **Miller** | 5.4 (d) | 12.9 | 31.3 | 40.3 | 39.3 | 37.4 | 37.9 | 44.0 (l) |
| **Stroh (a)** | 28.6 | 34.3 | 29.8 | 23.4 | 22.9 | 24.3 | 23.9 | 30.0 |
| **Heileman (b)** | 9.9 | 10.0 | 10.5 | 14.0 | 14.5 | 17.5 | 17.0 | 26.0 |
| **Coors** | 9.8 | 11.9 | 12.6 | 13.3 | 11.9 | 13.7 | 13.4 | 15.0 |
| **Pabst (c)** | 16.9 | 22.3 | 22.1 | 19.2 | 17.5 | 12.8 | 11.8 | 14.0 |
| **Genesee** | 1.7 | 2.4 | 3.0 | 3.6 | 3.4 | 3.2 | 3.0 | 3.3 |
| **Schmidt** | 3.2 | 3.3 | 3.8 | 3.2 | 3.2 | 3.1 | 2.9 | 4.3 |
| **Pittsburgh** | 0.8 (f) | 0.9 | 0.6 | 0.9 (f) | 1.0 | 1.0 | 0.9 | 1.2 |
| **All Others** | 31.0 | 17.3 | 9.3 | 6.8 | 6.2 | 6.6 | 3.4 | 14.7 |
| | 133.9 | 150.5 | 164.6 | 179.2 | 179.0 | 180.1 | 178.0 | 223.5 |
| **Less Tax-free Exports and Military** | 2.1 | 1.9 | 2.6 | 2.5 | 2.4 | 2.6 | 2.4 | |
| | 131.8 | 148.6 | 162.0 | 176.7 | 176.6 | 177.5 | 175.6 | |
| **% Increase** | 3.5% | 2.1% | 3.8% | 1.9% | (0.1)% | 0.5% | (1.1)% | |
| **Imports** | 0.9 | 1.7 | 3.5 | 5.2 | 5.8 | 6.3 | 7.1 | |
| **Consumption** | 132.7 | 150.3 | 165.5 | 181.9 | 182.4 | 183.8 | 182.7 | |
| **% Increase** | 3.4% | 2.3% | 4.4% | 2.2% | 0.3% | 0.8% | (0.6)% | |

(a) Schaefer & Stroh combined for all years; Schlitz is now part of Stroh.
(b) Includes Carling National for all periods except first three months of 1979.
(c) Reflects combination of Pabst and Olympia.
(d) Pro forma for purchase of Meister Brau as of July 1972.
(e) General has now been absorbed into "All Others."
(f) Strikes in August-September 1972 and May 1982.
(g) Impacted by Strike.
(h) A 40-day strike in April-May had an adverse effect on sales of Stroh.
(i) Includes Rheingold as of December; Rhengold's previous volume included in All Others.
(j) Pro forma for Pearl acquisition in January 1978.
(k) Includes Blitz.
(l) Does not include Trenton.

Source: John C. Maxwell
Laidlaw Ansbacher Inc.

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to produce 223.5 million barrels, the industry currently has an overcapacity of about 26%. (This does not include the mothballed Miller brewery in Trenton, OH.)

Without a dramatic turnaround in sales, which no one anticipates, this problem is not expected to be solved easily.

The recent sale of Pabst brands to Heileman (with parts subsequently being sold to S&P Co.) will allow some geographic expansion of existing brands, but if total sales are not expanded all these expansions will only cannibalize existing market shares.

With the Pabst acquisition Heileman is picking up some 7.9 million barrels of consumption, including 6.5 million barrels in the flagship brand. S&P Co. is adding 3.9 million barrels, including Pabst's number two brand, Hamms.

With all of its problems, though, the entire outlook for the future is not gloom and doom.

Maxwell foresees a bright future for Anheuser-Busch with volume anticipated to increase 4%-5% in 1985. He expects Miller's unit volume to at best increase modestly in '85, but does not anticipate an immediate turnaround of the High Life problem.

He projects continued strong growth for imports. "We expect the industry (imports) to be up 8%-10% during 1985." ☐

### Leading imported beer brands

(mil. gallons)

| | 1980 | Pct. of Market | 1981 | Pct. of Market | 1982 | Pct. of Market | 1983 | Pct. of Market | 1984E | Pct. of Market | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Heineken** | 53.5 | 37.8% | 62.9 | 38.9% | 68.7 | 38.5% | 72.8 | 37.8% | 74.0 | 34.1% | 1.6% |
| **Molson** | 31.7 | 22.4 | 32.0 | 19.8 | 32.0 | 17.9 | 30.6 | 15.9 | 29.5 | 13.4 | (3.4) |
| **Becks** | 7.3 | 5.1 | 10.0 | 6.2 | 14.0 | 7.8 | 18.4 | 9.6 | 24.0 | 11.1 | 30.4 |
| **Moosehead** | 5.6 | 4.0 | 7.9 | 4.9 | 11.2 | 6.3 | 13.5 | 7.0 | 16.0 | 7.4 | 18.5 |
| **Labatt** | 6.9 | 4.9 | 9.0 | 5.6 | 9.5 | 5.3 | 9.8 | 5.1 | 10.0 | 4.6 | 2.0 |
| **St. Pauli Girl** | 2.4 | 1.7 | 3.0 | 1.8 | 4.5 | 2.5 | 7.0 | 3.6 | 7.5 | 3.4 | 7.1 |
| **Dos Equis** | 7.0 | 4.9 | 7.0 | 4.3 | 6.0 | 3.4 | 6.5 | 3.4 | 7.0 | 3.2 | 7.7 |
| **Carling O'Keefe** | — | — | 4.5 | 2.8 | 4.0 | 2.2 | 5.5 | 2.9 | 5.0 | 2.5 | (9.0) |
| **Amstel Light** | 0.5 | 0.3 | 0.7 | 0.4 | 1.1 | 0.6 | 2.5 | 1.3 | 4.0 | 1.8 | 60.0 |
| **Corona Extra** | — | — | — | — | 0.2 | 0.1 | 1.7 | 0.9 | 3.8 | 1.8 | 123.5 |
| **Tecate** | — | — | 3.8 | 2.3 | 2.7 | 1.5 | 3.0 | 1.6 | 3.5 | 1.6 | 16.7 |
| **Guinness** | 2.2 | 1.6 | 2.3 | 1.4 | 2.5 | 1.4 | 2.7 | 1.4 | 3.0 | 1.4 | 11.1 |
| **Foster** | 1.6 | 1.1 | 1.7 | 1.1 | 1.7 # | 1.0 | 2.5 | 1.3 | 3.0 | 1.4 | 20.0 |
| **Grolsch** | 1.6 | 1.1 | 1.8 | 1.1 | 1.5 | 0.8 | 2.0 | 1.0 | 2.3 | 1.1 | 15.0 |
| **Kronenbourg** | 0.7 | 0.5 | 1.2 | 0.7 | 1.4 | 0.8 | 1.3 | 0.7 | 2.2 | 1.0 | 69.2 |
| **Kirin** | — | — | 1.4 | 0.7 | 1.3 | 0.7 | 1.7 | 0.9 | 2.0 | 0.9 | 17.6 |
| **Grizzly** | — | — | — | — | — | — | — | — | 2.0 | 0.9 | — |
| **Tsingtao** | 0.4 | 0.3 | 0.8 | 0.5 | 1.0 | 0.6 | 1.4 | 0.7 | 2.0 | 0.9 | 42.9 |
| **Bass Ale** | 0.9 | 0.6 | 1.0 | 0.6 | 1.1 | 0.6 | 1.4 | 0.7 | 1.7 | 0.8 | 21.4 |
| **San Miguel** | — | — | 1.1 | 0.7 | 1.4 | 0.8 | 1.4 | 0.7 | 1.5 | 0.7 | 7.1 |
| **Carta Blanca** | 2.1 | 1.5 | 2.3 | 1.4 | 1.3 | 0.7 | 1.2 | 0.6 | 1.5 | 0.7 | 25.0 |
| **DAB** | — | — | — | — | 0.7 | 0.4 | 1.2 | 0.6 | 1.5 | 0.7 | 25.0 |
| **Carlsburg** | — | — | — | — | 0.7 | 0.4 | 1.0 | 0.5 | 1.3 | 0.6 | 30.0 |
| **Watney's** | — | — | — | — | — | — | — | — | 1.1 | 0.5 | — |
| **Steinlager** | — | — | — | — | — | — | — | — | 1.1 | 0.5 | — |
| **John Courage** | — | — | — | — | — | — | 0.7 | 0.4 | 1.0 | 0.5 | 42.9 |
| **Nordik Wolf Light** | — | — | — | — | — | — | — | — | 0.9 | 0.4 | — |
| **Harp** | 0.4 | 0.3 | 0.4 | 0.2 | 0.5 | 0.3 | 0.6 | 0.3 | 0.7 | 0.3 | 16.7 |
| **Alten Munster** | — | — | 0.1 | 0.1 | 0.2 | 0.1 | 0.4 | 0.2 | 0.6 | 0.3 | 50.0 |
| **Bohemia** | — | — | 0.7 | 0.4 | 0.9 | 0.5 | 0.6 | 0.3 | 0.5 | 0.2 | (16.7) |
| **Whitbred** | — | — | — | — | — | — | — | — | 0.5 | 0.2 | — |
| **Warsteiner** | — | — | — | — | 0.1 | — | 0.2 | 0.1 | 0.3 | 0.1 | 50.0 |
| **Samuel Smith** | — | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 50.0 |
| **Oranjeboom** | — | — | — | — | — | — | — | — | 0.3 | 0.1 | — |
| **Raffo** | — | — | — | — | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | — |
| **Sagres** | — | — | — | — | — | — | 0.1 | — | 0.1 | 0.1 | — |
| **Others** | 16.8 | 11.9 | 6.1 | 3.8 | 8.2 | 4.6 | 0.6 | 0.3 | 1.0 | 0.5 | 66.7 |
| **Total** | 141.4 | 100.0% | 161.6 | 100.0% | 178.4 | 100.0% | 192.6 | 100.0% | 216.8 | 100.0% | 12.6% |

# Adversely affected by 2½ month strike in summer of 1982.

Source: John C. Maxwell
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## Imports up 12.6%

One of the few genuinely bright segments for the beer industry continues to be imports. The segment grew 12.6% in '84 to 216.8 million gallons versus 192.6 million gallons in '83.

All of the top ten import brands gained market share except for number two, Molson, down 3.4% and number eight, Carling O'Keefe, down 9%.

Heineken continues to dominate the category, up 1.6% with a 34.1% market share. Molson is second with a 13.4% share. Becks is third with a 11.1%, up 30.4%. Moosehead is fourth with a 7.4% share, up 18.5%. In fifth place is Labatt with a 4.6% share, up 2%.

Rounding out the top ten are: St. Pauli Girl, 3.4% share, up 7.1%; Dos Equis, 3.2% share, up 7.7%; Carling O'Keefe, 2.5% share; Amstel Light, 1.8% share, up 60%; Corona Extra, 1.8%, up 123.5%.

Corona Light more than doubled its volume and moved from 15th place to make the top ten. Amstel Light is also a newcomer on the top ten list, moving up from 11th in 1983.

Other imports that showed strong growth in '84 include: Kronenbourg 69.2%; Alten Munster 50%; Warsteiner 50%; Samuel Smith 50%; John Courage 42.9%; Tsingtao 42.9%; Carlsburg 30%; Carta Blanca 25%; DAB 25%; Bass Ale 21.4%; Foster 20%; Kirin 17.6%; Tecate 16.7%; Harp 16.7%; Grolsch 15%.

For the first time in years, price is begining to play a role in the increased consumption of imports. The favorable exchange rate between the U.S. dollar and foreign currency has made these brands competitive with premium and super premium domestics.

Outlook through 1985 is good, and continued strong growth is anticipated, expected to be up 8%-10% in 1985 with some Canadian brands slowing and Mexican beers expanding. ☐